

NOTE

This Microfiche meets the quality requirements of the American National Standard for Microfiche of Documents (ANSI PH5.9-1975). However, because of imperfections in the document from which it was made, it contains images that are illegible or difficult to read. The source document for this microfiche is the best copy that could be obtained prior to filming.

EFFECT OF DESERT STORM DEPLOYMENT ON SMALL BUSINESSES

HEARING BEFORE THE SUBCOMMITTEE ON ENVIRONMENT AND EMPLOYMENT OF THE COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES ONE HUNDRED SECOND CONGRESS FIRST SESSION

WASHINGTON, DC, MARCH 11, 1991

Printed for the use of the Committee on Small Business

Serial No. 102-9



U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1991

41-240-4

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

H721-29.

COMMITTEE ON SMALL BUSINESS

JOHN J. LAFALCE, New York, *Chairman*

NEAL SMITH, Iowa	ANDY IRELAND, Florida
IKE SKELTON, Missouri	JOSEPH M. McDADE, Pennsylvania
ROMANO L. MAZZOLI, Kentucky	WM. S. BROOMFIELD, Michigan
NICHOLAS MAVROULES, Massachusetts	D. FRENCH SLAUGHTER, JR., Virginia
CHARLES HATCHER, Georgia	JAN MEYERS, Kansas
RON WYDEN, Oregon	LARRY COMBEST, Texas
DENNIS E. ECKART, Ohio	RICHARD H. BAKER, Louisiana
GUS SAVAGE, Illinois	JOEL HEFLEY, Colorado
NORMAN SISISKY, Virginia	FREDERICK S. UPTON, Michigan
ESTEBAN EDWARD TORRES, California	MEL HANCOCK, Missouri
JIM OLIN, Virginia	RONALD K. MACHTLEY, Rhode Island
RICHARD RAY, Georgia	JIM RAMSTAD, Minnesota
JOHN CONYERS, JR., Michigan	DAVE CAMP, Michigan
JAMES H. BILBRAY, Nevada	GARY A. FRANKS, Connecticut
KWEISI MFUME, Maryland	WAYNE ALLARD, Colorado
FLOYD H. FLAKE, New York	JOHN A. BOEHNER, Ohio
H. MARTIN LANCASTER, North Carolina	
BILL SARPALIUS, Texas	
RICHARD E. NEAL, Massachusetts	
GLENN POSHARD, Illinois	
ELIOT L. ENGEL, New York	
JOSE E. SERRANO, New York	
ROBERT E. ANDREWS, New Jersey	
THOMAS H. ANDREWS, Maine	
CALVIN M. DOOLEY, California	
BILL ORTON, Utah	

DONALD F. TERRY, *Staff Director*

STEPHEN P. LYNCH, *Minority Staff Director*

SUBCOMMITTEE ON ENVIRONMENT AND EMPLOYMENT

JIM OLIN, Virginia, *Chairman*

ESTEBAN EDWARD TORRES, California	RICHARD H. BAKER, Louisiana
RICHARD RAY, Georgia	FREDERICK S. UPTON, Michigan
GLENN POSHARD, Illinois	

DIAN COPELIN, *Subcommittee Staff Director*

KAY SMART, *Minority Subcommittee Professional Staff Member*

CONTENTS

Hearing held on March 11, 1991	Page 1
--------------------------------------	-----------

WITNESSES

MONDAY, MARCH 11, 1991

Bilirakis, Hon. Michael, a Representative in Congress from the State of Florida	6
Daugherty, Scott R., executive director, North Carolina Small Business and Technology Development Center	28
Edwards, Billy, city administrator, city of Hinesville, GA	26
Edwards, Major General Donald, Adjutant General, State of Vermont	18
Henderson, Charles A., business manager, Kentucky News Era, Hopkinsville, KY	23
Hubbard, Hon. Carroll, Jr., a Representative in Congress from the State of Kentucky	4
Hultman, Major General Evan L., AUS [Ret.], Executive Director, Reserve Officers Association of the United States	36
Lancaster, Hon. H. Martin, a Representative in Congress from the State of North Carolina	3
Lough, Major David A., USAFR, and small business owner, Fredericksburg, VA	22
Pickett, Hon. Owen B., a Representative in Congress from the State of Virginia	17
Ploof, Carolee, businesswoman, East Middlebury, VT	20
Ragsdale, Carl, small business owner, Jacksonville, NC	31
Sanders, Hon. Bernard, a Representative in Congress from the State of Vermont	13
Schneider, Richard C., Chief Master Sergeant, USAF, retired, and Deputy Director, Legislative Affairs, Non-Commissioned Officers Association of the United States of America	38
Thomas, Hon. Lindsay, a Representative in Congress from the State of Georgia	9

APPENDIX

City of Hinesville, Buddy DeLoach, mayor, statement, with attachment, submitted for the record	139
Opening statements:	
Torres, Hon. Esteban Edward	46
Poshard, Hon. Glenn	47
Prepared statements:	
Bilirakis, Hon. Michael	59
Daugherty, Scott R., with attachment	108
Edwards, Billy, with attachment	100
Edwards, Major General Donald	87
Henderson, Charles A., with attachment	94
Hubbard, Hon. Carroll, Jr., with attachment	55
Hultman, Major General Evan L.	119
Lancaster, Hon. H. Martin, with attachment	49
Lough, Major David A.	90
McCloskey, Hon. Frank	75
Pickett, Hon. Owen B.	72
Ragsdale, Carl	115

IV

Prepared statements—Continued	Page
Sanders, Hon. Bernard, with attachment.....	68
Schneider, Richard C., with attachment.....	128
Spratt, Hon. John M., Jr.....	80
Thomas, Hon. Lindsay.....	65

EFFECT OF DESERT STORM DEPLOYMENT ON SMALL BUSINESSES

WEDNESDAY, MARCH 13, 1991

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ENVIRONMENT AND EMPLOYMENT,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:05 p.m., in room 2359-A, Rayburn House Office Building, Hon. Jim Olin (chairman of the subcommittee) presiding.

Chairman OLIN. The Subcommittee on Environment and Employment will come to order. I would like to welcome everyone here.

As chairman of the House Small Business Subcommittee on Environment and Employment, I have called this hearing today to collect information on the effect the deployment of active duty personnel, reservists, and members of the National Guard to the Persian Gulf has had on the business community.

The success of our troops demonstrates the wisdom of the all-volunteer military, backed up by well-trained Reserves. While this policy is a military success, problems do remain on the home front. These include the effect of deployment on the U.S. business community.

We have all heard the stories of how businesses in certain areas have suffered from the deployment, and several pieces of legislation have been introduced dealing with these specific problems. These include legislation introduced by the Honorable John LaFalce, chairman of the Small Business Committee, and amended by my colleague, Martin Lancaster, who will be testifying here today, and Congressman Ike Skelton. The LaFalce bill is a good bill, which I support.

Nevertheless, as far as I can tell, there is no body of information about the overall effects of deployment on businesses. This hearing is intended to fill that void.

The situation is multifaceted. In some locations, military bases are the foundation of the economy. When the troops are deployed, businesses are threatened with economic failure. In other cases, reservists, who were the key employees of small businesses, were called up. Also, a number of business owners and managers found themselves deployed to the Persian Gulf, leaving the firm leaderless. This hearing may indicate other problems.

American business obviously supports the American troops. Let's make sure that the next time Americans must be placed in harm's

way, the businesses they own, the firms that employ them, and the stores where they shop will still be there when they return.

Our witnesses include several Members of Congress. Five of them are here right now ready to go, and they are here to describe the situation that they have found in their districts. After the Members' testimony, we will hear from a panel of witnesses who have experienced problems firsthand—business people, local officials, and reservists. Our final panel is composed of representatives of the Reserve Officers Association and the Non-Commissioned Officers Association.

To highlight the lack of information available, the subcommittee requested testimony from the Small Business Administration. While the SBA made every effort to comply, they found that they did not have enough information to prepare proper testimony. Nevertheless, I understand that representatives of the SBA are attending today and will be available to answer questions should the subcommittee desire.

Before we welcome our colleagues, would any of the other subcommittee members care to make an opening statement? Mr. Torres.

Mr. TORRES. Thank you, Mr. Chairman. I will forego an official statement, except to ask unanimous consent that it be entered into the record. But I would like to thank you and commend you for holding this subcommittee hearing and taking this expeditious action on a most critical issue.

Moreover, I want to congratulate you for assuming the leadership of this important subcommittee. It is your first hearing, I understand, and I wish you well in your endeavors.

Having said that, Mr. Chairman, I want to welcome the witnesses and my colleagues as well, and I look forward to their testimony.

Thank you.

[Mr. Torres' statement may be found in the appendix.]

Chairman OLIN. I thank the gentleman. The gentleman was the chairman of this subcommittee in the last Congress, and I was very pleased that he was able to assume a new chairmanship, and move on, and let some of the rest of us help take the load.

Mr. Baker.

Mr. BAKER. Thank you, Mr. Chairman. I also wish to add my appreciation to your effort in calling this meeting so quickly and visiting an issue which I know is of great consequence, since we are fortunate to have so many Members participate this afternoon.

I will not have protracted comments but would simply say I am appreciative for your effort. I know this will be productive, and I look forward to a series of meetings which hopefully will help aid in the problems which will be clearly outlined for us here today.

Thank you, sir.

Chairman OLIN. I would like to welcome all the Members of the House who are here. I understand that Mr. Lancaster has some emergency.

Mr. LANCASTER. I have another subcommittee that's meeting at this hour, Mr. Chairman.

Chairman OLIN. If the others, who we indicated we would take first, have no objection, let me then proceed with the gentleman from North Carolina, a member of the committee, Mr. Lancaster.

TESTIMONY OF HON. H. MARTIN LANCASTER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. LANCASTER. Thank you, Mr. Chairman, for convening this hearing. I appreciate my colleagues allowing me to go out of order and to speak first.

I would ask unanimous consent that my entire statement be entered in the record at this point, and I am attaching to my statement, and would ask unanimous consent that it be included as well, Herblock's cartoon in today's Washington Post, which I think was a very timely cartoon for the hearing that you have convened, Mr. Chairman.

Chairman OLIN. Without objection.

Mr. LANCASTER. For those in the audience who will not see this, I would simply describe it to them. It shows a business putting out a welcome home sign for military customers, while all around are other businesses that have signs on the doors indicating that they're closed or they're in chapter 11. That, Mr. Chairman, is the situation in my district, and I think in others' who will be testifying here today.

One base in my district is Camp Lejeune, a base of approximately 45,000 Marines, of which 37,000 deployed. This is in a town of about 25,000 and in a county of about 120,000. So, about a fourth of the population of that county suddenly disappeared. The economic impact has been devastating, as you can imagine.

We are fortunate to have with us today a constituent of mine, and a prominent businessman from that community, who will appear on a panel later today to give you firsthand testimony on the situation in that community.

We, of course, have tried to address the problems, that have arisen because of this deployment, through legislation, which you have already described. It did receive the unanimous support of the full committee and, hopefully, will be on the calendar for consideration by the full House next week.

I would simply say that while this is a legislative attempt to address this particular situation, I would hope that ultimately your subcommittee might bring to the full committee, legislation that will address this problem for the future. We were prevailed upon to modify our amendment so that it would apply only to this one operation. But, as a member of the Armed Services Committee, I can assure this committee and my colleagues that deployments such as this are going to continue with increasing frequency, because as we bring our troops home and have fewer troops forward deployed, deployments of this type will occur again and again.

Our communities need to have the resources to bridge the gap between when the troops leave and when they come home. There will be an economic recovery that takes place, but if we want those businesses to be viable and to be able to provide the services to our men and women in uniform when they return from a deployment, we simply have to have some way to bridge that gap. Because, as it

is, we're going to have apartment complexes foreclosed, we're going to have businesses closed, and we've had a tremendous number of layoffs of, in many cases, military dependents, simply because of the devastation of this deployment. So, I hope that not only will you look at the legislation now pending, but will also consider a long-range strategy.

We have in place disaster assistance that is available on a regular basis, through a disaster fund, for communities hard hit by natural disasters. I believe that we need in place a similar program for communities that are devastated by Federal actions such as military deployment.

So, I commend that to you and again commend you for your leadership in calling this hearing. I thank you and my colleagues for allowing me to testify.

[Mr. Lancaster's statement, with attachment, may be found in the appendix.]

Chairman OLIN. Thank you very much, Mr. Lancaster. That's a very good suggestion and the committee will certainly take it under advisement.

Does anybody have any questions of the gentleman from North Carolina?

Mr. LANCASTER. If not, I will request permission to leave.

Chairman OLIN. Certainly. Thank you very much.

Next is our good friend from Kentucky, Mr. Hubbard.

TESTIMONY OF HON. CARROLL HUBBARD, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KENTUCKY

Mr. HUBBARD. Thank you very much, Chairman Olin, Congressman Torres, and Congressman Baker. I congratulate you, Chairman Olin, and the members of your subcommittee for holding this hearing.

We, who represent areas at or near Fort Campbell, KY, are very grateful for this opportunity to be here this afternoon to address the effect that the deployment of active duty, Reserve, and National Guard personnel to the Persian Gulf is having on small businesses in my own congressional district and across the State line in Tennessee.

During the past several months, small businesses at and near Fort Campbell have been adversely impacted by the deployment of tens of thousands of military personnel to Saudi Arabia and the Persian Gulf area. Fort Campbell is the home of the 101st Airborne Division, from which some 16,500 soldiers were deployed. Among these, I might add, were the pilots of the air assault mission that won the ground war in Kuwait and Southern Iraq so successfully.

There were also 2,500 Fort Campbell soldiers from the 101st support group, the Corps, and another 1,500 Fort Campbell soldiers from the 5th Special Forces group sent to the Persian Gulf.

That's 20,500 Fort Campbell soldiers who have been in or are now in the Persian Gulf area during our operations there. Many of their families, of course, have left the area to be with their parents and relatives throughout this entire ordeal.

Needless to say, in the Fort Campbell area, where the military base is the foundation of the local economy, small businesses have

been devastated from the sudden and unexpected loss of customers. Most notably, Oak Grove, which is right at Fort Campbell, and Hopkinsville, KY, nearby, the largest city in population in my district, and Clarksville, TN, just south of Fort Campbell, three cities which rely heavily on business from the nearby base, have suffered greatly. Numerous businesses have gone bankrupt, and many have closed or are facing financial ruin.

I thought of my businessmen today when I opened the Washington Post and saw the Herblock cartoon, which was most timely for this hearing today, and I would like to attach a copy of that particular cartoon as part of my testimony.

Chairman OLIN. Certainly.

Mr. HUBBARD. I would ask unanimous consent for that.

At the top of the cartoon it had a sign saying "Welcome Returning Troops," while the merchants at the store were putting a sign in the window "Welcome Returning Customers," and next door there's a store that is closed under chapter 11.

Among the small businessmen I have heard from already are members of the service industries—barbers and mechanics, owners of fast food restaurants, pawn shops, retail shops, and automobile dealerships, representatives of the housing industry, including realtors and owners of rental property. In one instance, the owner of an apartment complex that serves military families reports that he currently has over 80 vacant apartments. Again, the realtors and owners of rental property in that area have been greatly damaged by our successful operations in the Persian Gulf. Of course, all of this occurred because of one man—Saddam Hussein.

About 1,300 of the military personnel deployed from Fort Campbell have returned home at this time, and I had the pleasure last Saturday of shaking hands with about 600 of them who were returning in planeloads. Business owners in the area, however, are desperately hoping that they will be able to hang on until all or most of the troops return and the situation is normalized.

The Fort Campbell area is not the only location where small businesses are facing extreme difficulties in the wake of the Persian Gulf callup. There are another 4,000 Army Reserves and National Guard troops in Saudi Arabia who were mobilized at Fort Campbell. Among these are 250 from the Army Reserves' 807th Hospital Unit in Paducah, KY. While these numbers are not significant enough to have a harmful impact on the local economy, such as Paducah, many members of the Reserve units are themselves owners of small businesses or are key employees or managers of small businesses. I have, in fact, heard from several wives and family members of small businessmen who are faced with running businesses in which they have no prior experience or knowledge. This, in addition to trying to cope with the absence of loved ones, is a matter of great personal turmoil. Certainly, something must be done to help these individuals keep their businesses afloat until their spouses return. Something must be done, hopefully, to compensate, at least in part, those who have suffered in their businesses because of this ongoing effort in the Middle East by our military and by our country.

In conclusion, Mr. Chairman, you and your subcommittee are to be commended for your efforts to exhaustively study the impact of

the Persian Gulf deployment on small business and to seek to resolve the resultant problems. Certainly, the brave and patriotic men and women who are serving in the Persian Gulf region and those who depend on their business should not have to face financial ruin as a result of their service to their country during this crisis.

Thank you.

[Mr. Hubbard's statement, with attachment, may be found in the appendix.]

Chairman OLIN. I thank the gentleman very much for his testimony.

I take it that the people in your area really have not found as yet any kind of way to cope with this situation and have had to shut their businesses down or have lost money. There has been no available source of help either by loans or otherwise. Would that be the case?

Mr. HUBBARD. There have been some financial industries in our area which have been helpful in that they have loaned money, not knowing for sure if they will get it back. But they have been gracious in loaning money, and they have also extended the loans which have become due by servicemen and women who are over in the Persian Gulf region.

As I said on the House floor last week when I spoke, questioning the wisdom at this point of giving Israel an additional \$650 million on top of the \$3 billion we give them already annually, there are business people in Oak Grove, and Hopkinsville, and Clarksville who wish they could be looked upon as favorably for some Government help at this time as we seek to give some in Israel help because of the losses there.

I would hope the subcommittee can work with us toward finding some answers for these American men and women who have suffered financially during the Persian Gulf crisis.

Chairman OLIN. Are there any other questions? Mr. Torres.

Mr. TORRES. Mr. Chairman, I would forego any questions until I've heard from all the members. Thank you.

Chairman OLIN. OK. Mr. Baker.

Mr. BAKER. Likewise for me, Mr. Chairman.

Chairman OLIN. I would like to proceed then with the gentleman from Florida, Mr. Bilirakis. Mike, go ahead.

TESTIMONY OF HON. MICHAEL BILIRAKIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. BILIRAKIS. Thank you, Mr. Chairman. I, too, sir, would ask for unanimous consent that my more detailed written report be made a part of the record.

Chairman OLIN. Certainly, without objection.

Mr. BILIRAKIS. Mr. Chairman, I also congratulate you and your subcommittee for this very timely hearing. Certainly, I don't know that there are very many hearings up here on Capitol Hill these days that are more timely. I appreciate the opportunity to testify before you on the effect that the deployment of active duty, Reserve, and National Guard personnel to the Persian Gulf has had

on small business. I realize the subcommittee is pressed for time, so I will try to keep my comments brief.

Active duty members of the National Guard and Reserve, Mr. Chairman, as you know, are required to attend one weekend of inactive duty training monthly, and 14 days of active duty training annually. Although reservists frequently are called "Weekend Warriors," it is important to keep in mind that they are, in fact, members of the armed forces at all times—and I underline that—at all times, and they may be, as has happened recently, be involuntarily activated in times of emergency.

The training requirements and the possibility of being mobilized for active duty imposes actual and potential costs on the employers of reservists. Unfortunately, many employers reduce these costs by discriminating against members of the National Guard and Reserve. Discrimination poses a serious threat to the ability and willingness of guardsmen and reservists to perform and to continue to fulfill their military obligations. Approximately one-third of all personnel losses incurred by the National Guard and Reserve results from conflicts between a service member's civilian occupation and his or her military obligations, thus increasing recruiting and training costs and reducing readiness.

Since the two primary disincentives to hiring reservists are additional cost and reduced profits, I introduced legislation, H.R. 1125, which would provide an employer with a nonrefundable tax credit. My legislation attempts to address two issues: First, discrimination against participation in the National Guard, and second, the National Guard and Reserves pay policies of employers. H.R. 1125 provides employers a tax credit of 10 percent of the reservist's salary for military leave which is uncompensated by the employer. Tax incentives, as we know, have been used previously to encourage employment in particular segments of the civilian work force, and I believe they would be effective in overcoming an employer's reluctance to hire reservists or National Guardsmen.

With regard to the second issue, the Persian Gulf conflict demonstrates that reservists called for active duty may face severe financial hardships because of a reduction in their monthly incomes. Receiving some form of compensation from their civilian employers would help defray the monetary burden mobilization imposes on reservists and their families.

So, H.R. 1125 provides employers with a tax credit of 50 percent for any amount paid by the employer during the military leave of the reservist employee. While it may be impossible for small business to fully compensate a reservist, especially during a long military callup, I believe it is important to encourage employer support of the National Guard and Reserve.

I should note, Mr. Chairman, that there is a limit on the amount of benefit an employer may receive under my bill. In any taxable year, an employer may receive a tax credit of no more than \$2,000 per employee who participates in the Reserve or National Guard.

As Operation Desert Storm demonstrated—and God knows we all know this—the National Guard and Reserve are vital components of our armed services. It is important that we take steps to encourage participation in the Reserves. One small step in that direction

would be to urge employers to support their employees who are also members of the National Guard and Reserve.

Mr. Chairman, that concludes my testimony. Once again, I would like to thank you and the members of the subcommittee for affording me the opportunity to testify here today. I would be happy, of course, to answer any questions the members may have on H.R. 1125.

[Mr. Bilirakis' statement may be found in the appendix.]

Chairman OLIN. I want to thank the gentleman and congratulate him on his bill. I'm sure it's going to receive due consideration.

Any questions for Mr. Bilirakis at this point? Mr. Baker.

Mr. BAKER. Just a clarification.

So that I fully understand the provisions of H.R. 1125, it's a tax credit of 50 percent for wages paid per employee, but a maximum credit of no more than \$2,000 per year to the employer?

Mr. BILIRAKIS. To the employer, insofar as any one single employee is concerned, right.

Mr. BAKER. What does that translate into, not knowing how the credit applies, as to the actual salary that would be paid that would result in a beneficial tax treatment? Have you worked that back in the other direction? In other words, if you paid a guy \$20,000, you would exceed the tax credit, I presume, by some amount. Where is that tax credit capped?

Mr. BILIRAKIS. If I understand the gentleman's question, if the employee ordinarily would make \$20,000 a year salary, and if \$20,000 is, in fact, paid by the employer to that employee, in spite of the fact that he or she is on military leave, where ordinarily 50 percent would translate to \$10,000, the \$2,000 is the maximum, of course.

Mr. BAKER. I hate to be dilatory, but is there a reason that the \$2,000 cap was determined, or is it just your judgment that is an effective enough incentive?

Mr. BILIRAKIS. Well, I think it's an effective incentive. I believe we've got to draw the line somewhere here. As it is, we haven't received a current cost estimate from CBO, which we have requested. But back in 1988, the Sixth Quadrennial Review of Military Compensation estimated that similar tax credit legislation would result in a tax expenditure of less than \$100 million, which is a lot of money but not so very much when we relate it to what we spend up here.

So, with that in mind, Richard, this is why we have sort of limited it to \$2,000.

Mr. BAKER. Thank you.

Chairman OLIN. The gentleman from Illinois, any questions?

Mr. POSHARD. Not at this time, Mr. Chairman.

Chairman OLIN. OK.

Mr. BILIRAKIS. Thank you very much, Mr. Chairman.

Chairman OLIN. Thank you, Mike.

We will proceed then with the gentleman from Georgia, Mr. Lindsay Thomas.

TESTIMONY OF HON. LINDSAY THOMAS, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF GEORGIA

Mr. THOMAS. Thank you, Mr. Chairman, members of the subcommittee. I appreciate this opportunity to appear with you today on behalf of the small business owners and communities surrounding large military installations where troop deployments have virtually eliminated the customer base.

I want to thank the subcommittee for focusing your attention on this issue, and I am very grateful for the full committee's support for the amendment offered by Congressman Lancaster to expand the eligibility for participation in the SBA Disaster Loan Program to those businesses seriously impacted by the deployment of troops in Operation Desert Storm.

I represent the 24th Infantry Division's home base in Hinesville, Liberty County. The 24th is comprised of over 16,000 troops, and it was the first mechanized division deployed to Saudi Arabia last August. The division distinguished itself in that operation.

When you take away 16,000 soldiers in less than a week's time from a nearby town of 21,000, which is virtually dependent on that military customer base, you can easily understand the economic disruption that has resulted. Dozens of other smaller communities in the area suffered a similar fate. The problem then worsened when as many as 25 percent of the military families and dependents also left the Fort Stewart area following the deployment.

I fully realize that the SBA Disaster Loan Program has only been made available to communities ravaged by the wrath of mother nature. But I can tell you, if you watch the devastation that we have seen in Hinesville economically, it is comparable to a tornado. The structures that house those businesses might still be standing, but the results have been the same—they're closed for business, and many of them are never going to open again.

What we have here is a very unique situation, Mr. Chairman, and it was one that we were ill-prepared for. Never in the history of the All-Volunteer Army, which changed greatly the complexion of the way we work and are interdependent with the Army, have we deployed such a large number of troops for such an extended period of time. The city of Hinesville and other small communities which surround Fort Stewart have and will continue to support the troops of the 24th. They have joined together throughout the deployment to lend whatever assistance they could to the spouses and families of our troops left behind. I am very proud of that. But those who were doing the comforting were themselves soon the victims, because many of the small business owners simply could not survive.

During the first month of deployment, to give you a few figures that will jolt you: Apartment vacancy rates jumped from 4 percent to over 40 percent; during the same month, the local cable company lost 2,000 subscribers; the telephone company lost 600 residential customers; and the Georgia Power Co. received 800 more than the usual number of requests for disconnection. Retail sales and the real estate industry have been especially hard hit. Local sales tax revenues are way down compared to the same time last year.

This type of economic decline just cannot be blamed on the recession alone.

The men and women who own and operate these stores and shops are not looking for a Government handout. From the outset, my goal has been to seek the necessary statutory changes to make those small business owners eligible for existing loan and grant programs, similar to what we are doing through the SBA Disaster Loan Program. My genuine fear is that as our troops start to come home from the Gulf, there will be very little for them to come home to in the way of community service and support.

I know that Mr. Darman has insisted that funding for these disaster loans is not directly related to Operation Desert Storm and, therefore, not eligible for moneys through the Desert Storm supplemental appropriations bill. I also know that he stated that an expanded definition of eligibility for participation in the Disaster Loan Program constitutes a new program, which is, therefore, new spending that requires corresponding cuts in conformance with last year's budget agreement.

Well, I disagree on both of those counts. First, this is clearly related to Desert Storm. How can we provide money to Nations in the Persian Gulf who suffered economic injury because of Desert Storm and yet say no funding is available to help American communities who suffered similar injury and were just as much in support of those forces?

Second, why should we not simply make these military-impacted communities eligible to use the money already appropriated for disaster funding put there for that purpose?

The deployment is a Government-imposed disaster that is just as damaging as an earthquake or a drought, make no doubt about it. These business men and women had no control over that deployment, who was called to serve, or how long it would last. In the case of Fort Stewart, with its rapid deployment capability, the troops of the 24th may no doubt be called on again to protect this great Nation and the freedoms we hold dear.

So, I believe it is only fair that we show the civilian community the same level of support we have shown our troops throughout this crisis. If we do not, we will have a very difficult time in maintaining a stable civilian infrastructure to support these troops. The best businesses may feel they cannot make long-term investments in projects to support our troops.

Finally, let me again ask that we look at this issue in the context of aid we are providing to foreign nations in the Persian Gulf. When I was explaining to a constituent in Hinesville why money is so tight due to our deficit crisis, he had a question. He asked how could we find the money to help foreign nations in the Persian Gulf but could not find the money to help Hinesville. Mr. Chairman, that's a very good and provoking question. I appreciate the leadership of your subcommittee in helping to come up with a good answer.

Thank you very much.

[Mr. Thomas' statement may be found in the appendix.]

Chairman OLIN. Lindsay, I take it that you would second Martin Lancaster's suggestion that we try to work on something that could

be permanent legislation with regard to SBA disaster loans including this category?

Mr. THOMAS. I would, Mr. Chairman. I reiterate, that in the context of the All-Volunteer Army, it is the first time we've ever taken this kind of major and dramatic deployment. I think it shows that in communities where such a high percentage of the population is military and could be transient deployed, that we show that, if this occurs, there won't be outright grants or handouts. But if the economic impact is severe enough and the requirement is dramatic enough, then there will be some help to prevent the infrastructure from simply caving in. That same infrastructure serves both the civilian and the military community. Good community support is just as important, in my opinion, as good housing on base and proper equipment and training. I think that's what we're talking about here, that we provide some help in that eventuality.

Chairman OLIN. So, you would consider some definition that would indicate that a disaster beyond certain limits, where you really have a catastrophe, that might be helped, but that a lesser disaster, perhaps you would expect the community to absorb it?

Mr. THOMAS. Absolutely. In fact, in Mr. Lancaster's amendment, Mr. Chairman, if you will look at it, the requirements are quite rigid. It requires a very large percentage of the troops who are there to be deployed, and that the deployment has a very significant impact. In other words, where the percentage of the total deployment is a very high percentage of people in the area. So, we didn't just ask for this under any circumstance, but in regard to a very dramatic impact, such as the one I've described in this community, and there are several others across the Nation. In that instance is when we would set up criteria that would be very tough but would be workable.

Chairman OLIN. Any other questions by the subcommittee? Mr. Poshard.

Mr. POSHARD. Thank you, Mr. Chairman.

Lindsay, I'm a supporter of Martin's and Ike's amendment, but I do want to play devil's advocate here for just a moment. How would you answer the critics who say that businesses who locate around military bases understand that risk up front, that the purpose of an army is to go fight, and that at any given moment they may be called to do that, and, therefore, that's a risk you take in putting up a business around a military base? There are people saying that right now we're creating a whole new category of SBA loans here to sustain a business community that knows the risk up front in locating in those areas.

Mr. THOMAS. It's a good devil's advocate position, no doubt about it. But I would say to you that I think we've certainly got the attention of businesses, and that there will be much contingency planning around this in the future. There is no doubt that there probably has been some overoptimism in the past. But that's the point.

This is the first time for the rapid deployment concept of this magnitude and, in the context of an All-Volunteer Army, where it's not just the soldier but his family. When the soldier leaves, not only is he deployed, but oftentimes the family leaves as well. So, it is the first time this has been tested. That's why I think this time

it's imperative, and I personally believe the business community, in working with chamber groups and others who will work on this as an initiative in these communities, I don't think you're going to see a repeat of this kind of problem.

Again, that's a reality. The 24th Infantry Division is in my district, and we're together often. I was there when the first troops touched down on Thursday night from Saudi Arabia. But in this sort of All-Volunteer and mostly family Army, many of them having dependents, it's an entirely different situation than what we used to have when it was just one soldier deployed somewhere. So, I think we need to keep this in mind and certainly do what we can to help the community that is so essential to the quality of life for our service men and women who live there in that community. That would be my best answer to you.

Mr. POSHARD. So, if we're going to continue this type of military preparedness and deployment, then we need some adjustments here?

Mr. THOMAS. I think so. I think we have to have this as a contingency. As I say, we can certainly structure the criteria very tightly. I don't want to see the creation of some new program. I don't think that's what we're doing. We're making available, assets that are already there, set up for this purpose, structuring it very carefully so that it doesn't encourage businesses to come in anticipating that well, I can locate here, and if there's a deployment, I can reap some benefit. We're not getting that. This is just merely something to help these businesses get through a very tough transition.

Even with the troops returning, I might just add that you have to understand that these businesses have incurred a tremendous loss in a 7-month deployment of this nature, and that they have to somehow adjust and carry on. That's all we're talking about, helping them get through that transition. It just doesn't make sense, even from the standpoint of the Treasury and the moneys that will accrue to the Federal Treasury, to watch a business go through bankruptcy and go out of business when we can sustain them and keep them on their feet. They are needed, and they can recover.

Mr. POSHARD. I have no further questions, Mr. Chairman.

Chairman OLIN. Lindsay, I'm sure you would appreciate that if we made this into permanent legislation, then, of course, we couldn't really apply an emergency or disaster, whatever, category to it for the purpose of budget measurement. You would have to fit this project into our regular budget procedures, in which case, since we're on pay-as-you-go, if you're talking about a reasonable amount of money, you might come to the point where you're going to have to come up with some revenue for it.

Mr. THOMAS. I would only point then to the fact that, of course, initial studies point to a very small amount of money that is needed here under this. If that is what we finally have to come to—and I know the committee would deliberate on this further, Mr. Chairman—I would just suggest to you we're not talking about hundreds of millions. We're talking about estimates of probably \$25-\$30 million which would have a significant impact on the problem. So, we're not talking something, for the reasons I have said, that is going to be dipped into it. It might not ever occur again. It might be we make the adjustments in the local community.

Chairman OLIN. We'll have to visit that part of the issue as we look into it.

Mr. THOMAS. I understand.

Chairman OLIN. Thank you very much. I appreciate your testimony.

Mr. THOMAS. Thank you, Mr. Chairman.

Chairman OLIN. I would like to move on to the gentleman from Vermont, Mr. Sanders.

TESTIMONY OF HON. BERNARD SANDERS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VERMONT

Mr. SANDERS. Thank you very much, Mr. Chairman. I would like to begin by thanking you and the members of the subcommittee for allowing me this opportunity to testify on what I believe is a very important issue.

This issue is extremely relevant to Vermont because a high percentage of Vermont's work force is either employed by small business or is self-employed. So, I think I'm going to be coming from a little bit different area than some of the other Congressmen.

Small, family-owned businesses are the ones which are often hurt most by the disruptions caused by Reserve component callups and the sending overseas of tens of thousands of active duty personnel. The latter is not a major problem for Vermont as we have no large, active duty facilities in our State. However, the mobilization of Guard and Reserve forces could cause serious disruption to our State's economy and to many of our workers. Vermont has traditionally been first or second in the Nation in the per capita number of Guard and Reserve forces. The percentage of Vermonters in the Guard and Reserve is almost twice that of the national average.

Small businesses, in many cases, find it extremely difficult to adjust to the loss of a key worker. The callup of a valuable employee can be devastating. Particularly, in a rural area, a temporary replacement worker may be difficult, if not impossible, to find.

Additionally, a State like Vermont is likely to see a situation in which a small business owner, a farmer, or a tradesperson, is activated. For these people, the callup not only disrupts their family life but, in fact, can cause their business to slow dramatically or even cease to exist. I think that's probably the main point that I want to make to you from a State like Vermont.

Unlike the person who is employed by another and is guaranteed his or her position upon deactivation, the damage done to a small business or farm while the proprietor is away can affect his or her ability to make a living for years to come. In other words, if you lose your business, you may not get it back.

Mr. Chairman, let me briefly relate to you some information that my staff received recently from a reservist from Bennington County in southern Vermont. This individual—and I think what happened to this person has happened to quite a few—was activated for Desert Storm to a base in Kentucky. His profession is that of being a self-employed carpenter. As a result of his being called up, he had two roofing contracts that he had to abandon. Obviously, he couldn't do the work. He worries that he may lose his business

completely as the contracts he lined up go to his competitors in his absence. In other words, his small business has been severely disrupted.

This carpenter told my staff that he grosses about \$700 a week from his carpentry work, but that the Army pays him less than half that, about \$300 a week. While he is in the Army, he still has to make the payments on his truck, his tools, and his other equipment. I think that's the major point that I will be trying to make this afternoon.

These are some of the factors which influenced me to introduce H.R. 695, a bill to compensate activated Reserve and Guard forces for income lost due to callup, up to a maximum civilian income level of \$40,000. In other words, the goal of that legislation is to protect people such as this carpenter, to say that now that you've been called away from your job, we feel it appropriate that the Government make certain that your family life, your business life, is not radically disrupted.

This measure, which would cost between \$50-\$65 million, is, in my view, a comprehensive way to deal with this problem. This bill currently has 28 cosponsors.

H.R. 695 would assist small retail businesses by permitting many Guard and Reserve families to maintain their normal spending patterns throughout the callup period. This bill would also guarantee that families of small business people or independent tradespersons have some income security despite an almost certain weakening of their businesses. I think we have seen on television and in the newspapers these very sad stories of people who were being called up. Families have had enough anxiety wondering about their well-being in the Persian Gulf and, meanwhile, their income levels have gone down to a degree to where some of them have had to go on welfare.

Finally, H.R. 695 would relieve those small business people who have felt it necessary to make up lost income experienced by their employees due to the callup. This very decent and patriotic act is simply financially impossible for many, but for those that do make these contributions, it only compounds the already serious problems of their small businesses.

While it is true the war in the Persian Gulf is winding down, and many of our Guard and Reserve forces will soon be returning home to their jobs and small businesses, the financial impact of this war on many of these families and small businesses will remain. I hope that this subcommittee will recommend strong action, including the passage of H.R. 695, to alleviate some of this burden.

As we enter an era where our reliance on the Reserve component of our armed forces is almost certain to increase, and with it the likelihood that any future U.S. military action will involve larger and larger numbers of Guard and Reserve troops, I feel it is imperative that we develop policies which reflect this reality.

The tradition of the citizen soldier is strong in Vermont and enjoys the support of the vast majority of the people of our State. We, as a Congress, must ensure that this support continues by promoting measures which lessen the negative impact on small business. We must make it possible for small business owners, independent tradespeople, and farmers, who are often the most active

people in small towns and rural communities, to continue their service to their country through membership in the Reserves and the National Guard.

That is the extent of my statement. I would ask unanimous consent that my remarks be included in the record.

Chairman OLIN. Without objection.

[Mr. Sanders' statement, with attachment, may be found in the appendix.]

Chairman OLIN. I congratulate the gentleman for his bill and thank him for his testimony.

Are there any comments or questions from the subcommittee members?

Mr. POSHARD. Thank you, Mr. Chairman. I appreciate it.

I, too, congratulate Congressman Sanders for his bill, but I do have one question. The obvious downside to the bill is, if we're going to continue to make sure that reservists make the same amount of money basically as they did before they were called up while they're serving on active duty in the war, what are the regular military guys going to say about that? I mean, what if they're fighting a war for a thousand bucks a month and a reservist, because of your bill, is making \$2,000 a month?

Mr. SANDERS. That's a fair question. In fact, there was an editorial in the New York Times that pointed that discrepancy up.

I think the only answer I could give you is this—and it is not to suggest that we may not want to deal with the active duty people in another way. That's a legitimate question. My concern now is reflected by the problems of that carpenter, to say is it appropriate when families already are existing under tremendous anxieties. These are people who, frankly, in most instances, do not expect to be in the Persian Gulf. They're living their lives, and many of them are making \$25,000, \$30,000 a year in a small business.

My concern is that, through no fault of their own, a war breaks out, they're over there, their businesses are destroyed, their family savings are depleted, and I would like to see us protect them.

Your question is a legitimate question. My focus now is on the Reserve people and the National Guard people.

Mr. POSHARD. Congressman Sanders, I understand that. I agree with the intent of your legislation. But it seems to me that, in fairness, that if a person is going to join the Reserves, knowing up front that there is a possibility, given the philosophy this country has today of making the Reserves an integral part of the military fighting force, that at some point in time they ought to be aware that they may be called to active duty, in which case they would not make as much money as they are in their present job.

It's not that I disagree with the intent, but logistically, I guess I have a few problems with the way this works out.

Mr. SANDERS. Your point is well taken. But I would respond that Congressmen who are representing small businesses that are around major military bases, you might quite appropriately say, "Well, gee whiz, if you establish a small business around the military base, wars do break out and tens of thousands of members in that community are going to depart, and your business is going to be hurt. So, we should not pay attention to those businessmen who

are now out of business." I think that's a discussion we had a moment ago.

So, I think in the real world we try to do our best. I know you are as concerned as I am about the problems that many of the members of the National Guard are having. Your point is well taken. I don't have magical answers, but I do know that in our State—I should point out our State government, or the city of Burlington, from which I'm from, has gone out of its way to say, "If you're in the National Guard and you're called up, do you know what we're going to do? We're going to cover your salary." That is a very decent thing to do. Our State has a very significant deficit problem right now, and private businesses are doing it.

Basically, I would suggest that is a fair responsibility for the Federal Government to undertake.

Mr. POSHARD. Thank you.

Thank you, Mr. Chairman.

Chairman OLIN. Of course, we expect that quite a few Members of Congress are going to be looking into the subject of the equity of this individual compared to somebody who is a regular career person in the active duty force. There must be some reasonable relationship there. Otherwise, we're going to be in trouble.

Also, the issue that we're going to protect anybody from anything that happens out of his control, of course, that can get out of hand, too.

Mr. SANDERS. Sure, it can.

Chairman OLIN. So, there has to be some kind of reasonable limit to keep it from getting to be ridiculous.

Mr. SANDERS. I absolutely agree.

Chairman OLIN. I'm certain you wouldn't disagree with that.

Mr. SANDERS. No; I don't. But I'm sure we're all in agreement that the same families undergoing financial turmoil because their breadwinner has now been called up is not something we're happy about.

Chairman OLIN. Certainly.

Mr. Baker.

Mr. BAKER. Thank you, Mr. Chairman.

Just by way of follow up to the earlier question, first let me compliment the gentleman for at least forwarding a solution, from your perspective, that meets the needs of the folks you represent. But my concern is in the treatment of these obligations—and I consider them to be obligations—is that we separate perhaps those who volunteer and those who are engaged without forethought. I am speaking to the issue that this is the first military engagement of consequence that has been an all-volunteer effort.

Those who returned from Vietnam, who were drafted against their will, who did meet their obligation, who suffered loss, have not been adequately compensated, in my view. I should not wish that in the current moment, in an effort to meet the needs of those who have valiantly served today, that we forget those who were called on and had made no plans or preparations whatsoever, and that in our mix of trying to meet an appropriate solution to the obvious problem, that we not ignore the needs of those who have been here for some time.

So, in your confecting of your legislative solution, I don't have an answer, but I would suggest strongly that we consider the equity of those issues as well.

Mr. SANDERS. I agree with the gentleman.

Chairman OLIN. I thank the gentleman for his testimony.

Mr. SANDERS. I'm sure you will be hearing more from Vermont. General Edwards of our National Guard is here.

Chairman OLIN. I'm sure we will.

Mr. SANDERS. Thank you very much.

Chairman OLIN. I now would like to turn to the last of the Members. I'm sorry, Owen, that we put you last. Owen is my colleague from Virginia.

TESTIMONY OF HON. OWEN B. PICKETT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. PICKETT. Thank you, Mr. Chairman. I, too, want to thank you and the members of your subcommittee for holding this very important hearing on a subject that is certainly timely.

I am not going to read my statement. I would ask that it be included in its entirety in the record.

Chairman OLIN. It certainly will be.

Mr. PICKETT. Just to give you some idea of the magnitude of the problem in my district, which happens to be Norfolk and Virginia Beach, of the war ships that participated in the Persian Gulf activity, 41 of them came from the Norfolk area. The Norfolk Naval Station is the largest naval installation in the world. In addition to the Norfolk Naval Station, my district is home to the Oceana Naval Air Station, the Little Creek Naval Amphibious Base, the Dam Neck Fleet Combat Training Center, and the Army Transportation Unit at Fort Story.

So, when the deployment took place, over 40,000 people left the area—not all of them specifically from my district, but most of them from my district. The chamber of commerce estimated that there was a payroll of well over \$100 million that was lost during this period of deployment.

Then the other issue that has been mentioned already, that when the military members left, many of the family members followed pretty quickly after that, so it was a double-barreled impact on the local economy.

The principal areas that were affected were housing, retailing, and service industries. Those were the ones that seemed to be the most impacted. Some \$64 million in retail sales were lost, according to the local chamber of commerce. Automobile sales were off 50 percent. The housing rental market, as someone else mentioned, took a dramatic downturn. One owner in my district, which caters to our military people, lost one-third of his tenants in a 3-week period in September. He has 205 vacancies out of a project of 800 units. So, it is still a very difficult time for these small business people. I think you can see, Mr. Chairman, and members of the committee, how this plays out.

I heard some of the other comments about remedies that might be offered. I would add to that to encourage the Small Business Administration to be prompt in processing loan applications and re-

quests for assistance, because when a small business needs money, for the most part it needs money now. It can't wait 2, 3, or 4 months for loan documentation to be processed. For those people in my district who are turning to the Small Business Administration under the Guaranty Loan Program and not the Disaster Loan Program, it would certainly be a great help if the SBA could somehow get these applications on the top of the pile and get them some relief in a hurry.

[Mr. Pickett's statement may be found in the appendix.]

Chairman OLIN. That's the first time that issue has come up. You're absolutely right about that, and we'll look into that aspect.

Any questions?

Mr. BAKER. No questions, Mr. Chairman. I thank the gentleman for his testimony.

Chairman OLIN. Thank you very much, Owen. We appreciate it.

I also would like to enter into the record the statements of Hon. Frank McCloskey and Hon. John M. Spratt, Jr.

[Mr. McCloskey's and Mr. Spratt's statements may be found in the appendix.]

Chairman OLIN. We would now like to turn to the second panel that will consist of: Major General Donald Edwards, Adjutant General, Vermont National Guard; Mrs. Carolee Ploof, a businesswoman from East Middlebury, VT; David Lough, an Air Force Reserve Officer and small business owner from Fredericksburg, VA; Charles A. Henderson, business manager of Kentucky New Era, Hopkinsville, KY; Billy Edwards, city administrator, Hinesville, GA; Scott Daugherty, executive director, North Carolina's Small Business and Technology Development Center; and Carl Ragsdale, Marine Chevrolet-Cadillac, Jacksonville, NC.

We have quite a big panel here. I hope we can get through with this panel before we get called away to vote. I think we might have an interruption during your testimony, but if you will bear with us, it won't be too long.

General, would you like to start off?

TESTIMONY OF MAJOR GENERAL DONALD EDWARDS, ADJUTANT GENERAL, STATE OF VERMONT

General DONALD EDWARDS. Certainly, Mr. Chairman. I want to thank you for asking Carolee Ploof and me to come down today to represent the members of the Guard and Reserve community who have been affected by this callup.

Listening to the testimony and the questions of the Members has been fascinating and educational. Carolee and I are somewhat victims in that we don't know exactly what measure you're considering, but it is my intent to——

Chairman OLIN. We're not sure ourselves.

[Laughter.]

We're trying to learn.

General DONALD EDWARDS. I would like to say a couple of things about the general picture. I'm not going to give a speech. I did present you with testimony, but I've never been one to follow a script, so good luck to whoever is taking notes.

Chairman OLIN. You all recognize that your written testimony will be made part of the record.

General DONALD EDWARDS. Yes, sir.

First of all, I think it's important for all of us to realize that the last figure I saw in the public media was 227,000 members of the Guard and Reserve had been called as a result of this mobilization, and somewhere in the neighborhood of 20-25 percent of the ground forces that participated in Desert Storm were the Guard and Reserve. What isn't going to work is if you just go the route of a disaster for a community. That might work outside of Fort Stewart and Food Hood, but it's not going to work too well in Middlebury, VT or some other small towns, in which I'm sure all of you can identify with in your local districts.

What people like myself, and Jim Ploof, and Carolee, and their compatriots around this country are going to face are disasters that are pinpointed by a business, and whatever you do, I hope you will address that issue as well. Because when you tear 227,000 young men and women out of our community in the 50 States and four territories, that has a definite impact.

I only need to remind you of a small town in Pennsylvania, which suffered so severely on a Scud attack, as to what can happen to the businesses or a community when you tear those people out.

It is true that they're all volunteers. I hope you will do something along that line, simply from a selfish point of view, that they make really fine soldiers, airmen, and marines, Coast Guard, and Navy people. We need them because they become the sergeants and the company commanders, and that's exactly the kind of leadership we want. We need to find ways to fix that. We shouldn't, I don't think, penalize young patriots who want to serve their country by making them go broke. That has and will continue to happen.

Let me give you a couple of very specific examples that I know of in Vermont, and then let me yield to Carolee, who can tell you a real personal story.

Larry McCormack and his dad from Springfield, VT run a small business, the two of them. It's called the McCormack Place of Color. They do essentially interior decorating. Larry, the son, Sergeant Larry McCormack of the 131st Engineers, specializes in doing floors, tiles, and carpeting. His dad specializes in doing walls, painting, and papering, not a major business in terms of an IBM, but a major business in terms of what they do. Half that business is gone. They have lost six major contracts as a result of that deployment.

Another gentleman from the same area—his dad was a member of the Guard and now, unfortunately, is a member of our veterans' home in Vermont. But Captain Jim Belaski was sole proprietor of a civil engineering firm. He just closed it. He walked away. He is now in Saudi Arabia. I hope he'll be back soon. But I wonder how many customers are going to be there. He's going to have to rebuild that business from scratch. That's not going to happen in days or weeks; it's going to take years to rebuild his business from scratch. His competitors, I'm certain, have enjoyed his absence. Those are the sorts of issues that are not easy to fix, but we can help them.

Sergeant Brian Lafave, he's a famous story in our unit, the 131st Engineers, because when they got mobilized, his wife came in and took over the orderly room, ran the orderly room so he could concentrate in getting the unit mobilized. They run a family cleaning business. They do industrial cleaning. He's gone. Pam has given up her job. She's working for less than the people that she's employing—Carolee, as a matter of fact, has gone up and tried to help her out a couple of times. In fact, she's having trouble making house payments. Now, there's another example of a small, personal business that is in serious financial trouble.

Another gentleman, Master Sergeant Richard Somerset, ran an office consulting firm, how to design an office, how to set up an office that will function effectively and efficiently. A one-man proprietorship. He closed it. It's a very competitive business in a very competitive field. Again, competition is going to be eating him alive. He's gone, he's in Saudi Arabia, and he's going to have to start from scratch when he gets back.

How can the Congress of the United States help people like that? Certainly disaster loans, low interest loans, would be helpful.

One of the things that you might think about doing—and there's precedent, I think, on this in the way we treat student loans—is why not develop a system in which we could forgive, temporarily, loans for a small business. Let the Federal Government either buy the loans or in some way just say you don't have to make payments on principal and interest until x number of days after the mobilization occurs. Now, if that gets some financial institution in trouble, we need to figure out some way, I guess, to help the financial institution. But that would be, for a lot of these people who have loans, a major, major saving grace. Because what they're doing right now, as you're going to discover, is eating up their savings.

Before I get more into that, why don't I let Carolee tell you about her firm.

[Major General Edwards' statement may be found in the appendix.]

Chairman OLIN. We're going to have a vote that we've got to get to. We can stay for about 5 minutes or so and then break to go over and vote.

Mrs. Ploof, would you like to go ahead and tell your story?

TESTIMONY OF CAROLEE PLOOF, BUSINESSWOMAN, EAST MIDDLEBURY, VT

Mrs. PLOOF. All right.

I never thought I would be here in a million years. But I would like to tell you how it feels when your husband gets deployed. Not only do you go through a lot of emotional stress, but when you're self-employed, I'll tell you the way I spent my last few days.

When the unit got mobilized, it's not like they just go up there and come back the same day. They work until 9 or 10 o'clock at night. We came home, and I learned how to bill customers. My husband is an excavator. I learned who has outstanding bills. I learned how to bill people, how much a load of pea stone was. That's how I spent my last few days before Jim left to go to Saudi Arabia.

With the creditors, I had to send them form after form, to drop the interest rate to 6 percent. Some of those creditors—GMAC was excellent. I can't say enough for them. Other companies, on the other hand, didn't know what I was talking about. I was the first person who they had to deal with through commercial loans. I guess I won't say their names. But one gave me an extreme amount of trouble, called me up and told me that I didn't know what it was like to be in his position because he's got people going bankrupt. I said well, I can tell you what it's like to be in my position. We finally got that straightened out.

When you're talking about a \$600 loan and it drops down to 6 percent interest, it drops it maybe \$50 a month, that helps in the long run. But it sure doesn't do much when you're not having that income like you used to.

His excavation business is generally slow in the wintertime, thank God. What he is getting for active duty over in Saudi Arabia does not nearly cover the payments by any means. I do work full time in another business, which we recently have new owners. I have the full responsibility of that business. They have literally told me, if this business goes under, it's your responsibility. Well, that's great. Now I have two businesses that, if they go under, it's my responsibility.

If he's not back soon—and this is not a sob story to get him back soon—but if he's not back soon, and he does not make money, we're not going to make it through next year, because we save all our money from the summertime to make it through the winter when he's not busy.

I can tell you what I have done to help. I currently now drive a dump truck on the weekends. It's not the most feminine thing to do, but I do it. Probably this summer, if he's not back, I will have to help my father-in-law, who also has a self-employed business. He's also an excavator. I'll probably be working with him side by side. If that means I have to quit my job and lose my position at the other shop, I will do it. His business is not going to go under.

The gentleman said a while ago that if he's in the National Guard he knows that there's always a chance that he might get mobilized and he's going to take a cut in pay. Well, how do you ever know when a war is going to happen? How do you prepare for that? You don't prepare for that. What are you supposed to do when you're a National Guardsman? Be afraid to start your own business, to be adventurous, and just work for somebody the rest of your life?

We got the call on the Friday after Thanksgiving, and his mobilization started 3 days after that. How do you prepare? It's not like he can train me. I really think it's very unfair that self-employed people have to lose their shirts to protect their country. I don't regret the fact that Jim is in Saudi Arabia. I'm very proud of him, and I'm very proud of everybody who has been over there. But he should not go under if he's protecting his country.

Chairman OLIN. Thank you very much for your story.

If the panel could hold here, we need to go over and vote and come back. I think we would all like to hear your testimony, so rather than go one by one, which would be hard to do anyway, I think we'll all go over and vote. We will try to be back by 3:25.

The committee is in recess temporarily.

[Recess.]

Chairman OLIN. Was Mrs. Ploof finished, General?

General DONALD EDWARDS. Yes; she was finished. She'll be right back.

Chairman OLIN. OK. I think we will go ahead then. We will have questions for the whole panel at the end, after you have all spoken.

Major David Lough, would you like to go next.

**TESTIMONY OF MAJOR DAVID A. LOUGH, USAFR, AND SMALL
BUSINESS OWNER, FREDERICKSBURG, VA**

Major LOUGH. Yes, sir. I would like to start by thanking the committee for letting me speak as a fellow Virginian from Fredericksburg, VA.

I'm a civilian real estate broker from Fredericksburg, VA. I have also been a reservist for 11 years out of Andrews Air Force Base. I was recalled to active duty on the 24th of August. I fly the C-141 transports out of Andrews.

I would like to preface that everything I'm saying here I am saying strictly on my own behalf. I do not represent the Department of Defense or any official policy or anything. I'm just giving you my own personal comments.

I would like to relate the story of my own business to you and what has happened. As a reservist, I'm a Major in the Air Force Reserves. When the thing first kicked off, I was in Saudi Arabia early as a volunteer for a week, and like I say, we then got recalled on the 24th of August.

In July of last year—I have a real estate business—we had two offices in the Fredericksburg area. I was the founder of the firm, the principal broker of the firm, and I was also the general manager of our main office. My area was, in dividing up between my partner and myself, I did the general administrative management of the company, plus I supervised and took care directly of all the advertising for the company.

Since then, my partner has had to assume all of those responsibilities. In addition, when we found I was going to be extended for an additional 90 days in November, we made a business decision to close one of our two offices. We paid rent on a vacant office because our lease didn't terminate just because we closed the office.

In July of last year, I believe we had 28 active agents and two offices. Currently, we have one office and 13 active agents. So, I think you can see the direct effect there.

My own production, I did development and things like that. All that kind of came to a halt. I personally ended up subbing out a lot of the work, giving it away. Currently, when I do get off active duty, I really have nothing going on in terms of a real estate agent or a business like that.

I have seen a number of things, and I'm amazed that you all have a broad menu of things to choose from. I can't tell you all what to do. There are many things of interest, for instance, some kind of disaster loans, I think, is one of the things I see which would be most beneficial. I know in my own situation, if we choose to go back and open another office, just to capitalize it and get that

going again. I don't know at this time if I'll have to pay an additional franchise fee just to get back the franchise that I had to give up.

I would urge the committee that if there is any kind of loans or anything like that, from a small business point of view, when the reservist or guardsman comes back, please cut through the red tape. When he gets back he's going to hit the street running. If he has to go through 3 or 4 months, if he has to wait that long, it may well be too late. If they're going to do something, they're going to have to do it fairly quick, and it's going to have to be fairly simple.

I thank you for your time.

[Major Lough's statement may be found in the appendix.]

Chairman OLIN. Fine. Thank you very much.

I think your concentration on the red tape, a definite plan, and somebody who can help you expedite that situation is highly desirable and very much needed.

Let's go on with Mr. Henderson.

**TESTIMONY OF CHARLES A. HENDERSON, BUSINESS MANAGER,
KENTUCKY NEWS ERA, HOPKINSVILLE, KY**

Mr. HENDERSON. Thank you.

I have been invited to appear before your committee today to expound upon the financial trauma that permeates communities who support the military installations in this country. Our community of Fort Campbell, KY, home of the 101st Airborne Division and the world's only air assault division, is a post with an active duty population of 21,000, 30,000 dependents, and an annual payroll of \$640 million for our communities. In what we call our tricities of Hopkinsville, KY, Clarksville, TN, and Oak Grove, KY, 27,000, or 53 percent, live off post. Our communities provide this 27,000 with public schools, apartments, houses, and groceries. The entire 51,000 depend upon our tricities for their entertainment, automobiles, furniture, clothing, and yes, even their churches. The list goes on and on. However, just as they have become dependent upon us, we have become equally dependent upon them.

I hope I have brought to you today, first hand and personally, the financial hardships that have been wrought by the war in the Middle East. But I want to take just a moment to explain because I feel I would be remiss in my duty if I did not address the financial and mental hardships faced by the families when deployment is necessary for world peace, especially when it comes in such a short time period.

We understand the Government and the military must focus on rapid deployment and deal with family needs later on. Small town, grassroots Americans like us support this thinking 100 percent, and we rally around the families' needs.

We cannot, nor can you, anticipate the actions of a sergeant who, with the recent departure of his wife, leaving him with children 8, 12, and 16, leaves them with a home and a credit card as he goes off to war. These children, who have never dealt with the decisions they now face, ended up in pathetic sanitary conditions and subsisting on dog food. Thank God someone discovered their plight.

Or think of the Korean wife who, having been in this country less than a month, attempted to learn better English so she could take care of herself during her husband's unexpected absence. She was raped by her tutor.

Unit support groups were formed, but it was humanly impossible to do these things in time to avoid a great shock to the families in our community, especially the children of the lower ranks of enlisted personnel.

I could bring you dozens of tearful, heart-rendering stories that go with war and the absence of a part of the complete family unit. I will not continue this, but I will assure you that in military communities like ours, the financial hardships are severe for businesses that have attempted to provide these greatly needed services they demand in peacetime.

The Oak Grove, KY community, where the chamber of commerce membership has dropped from 140 members to 32, is directly in front of our post—lost members, closed businesses due to the deployment, businesses that existed solely to meet the needs of the 101st. Fast food restaurants, dry cleaners, car dealers, finance companies, and I can go on and on. We've heard them all today. They're all out of business. Yes; many were owned and operated by moms and dads, not large corporations with deep pockets.

Other examples are the Clarksville, TN community where rental housing and apartments stand at a 67-percent vacancy, and the Hopkinsville, KY community where apartments and housing stand at 35- to 50-percent vacancy. I ask each member of the committee to consider: Could you service your loans, maintain your property, pay your bills, and pay your debts with a 35- to 67-percent reduction in income?

In the words of Rose Tooley, a real estate professional for many years in Hopkinsville—I'm just going to touch on a couple of things that she said in a letter she wrote.

"Approximately 35 percent of my business in 1989 was military. This was reduced in 1990 to less than one-third of that. I have had no sales since September 1990. There has been no income in 1991, and I still have no sales pending.

"Let there be no doubt. I have fully supported the decisions by our leaders in sending our troops to Saudi Arabia. However, I have reached the point that I must seriously consider selling my Hopkinsville home and relocating to an area with greater job opportunities. I cannot financially survive another 3 months without income." This is from a realtor who has been one of the top producing agents in Hopkinsville for many years.

Yes; there is a Chevrolet automobile dealership that was purchased under a minority GM dealership program. This black American who pursued the dream of all Americans to own his own business watched virtually helplessly as his personal investment and future was quickly in jeopardy. The deployment, coupled with cautious civilian buyers, have made staying in business a question mark for this American.

As the civilian publisher of the Fort Campbell newspaper, I know first hand of the loss of revenue of our retail community. Our revenue is down 56 percent from our military publication for the past 6

months, a direct reflection of a retailer's inability to purchase advertising when purchases are not being made.

I realize time will not permit me to tell you every horror story the deployment has created. However, people have built, invested, and worked to provide the services required for a post of over 51,000 soldiers and dependents. These people did not ask for, nor did they expect, a handout when they took the risk of going in business. However, is it unreasonable to expect the same consideration a town receives when a tornado brings financial destruction?

These same businesses we hope will step forward in the future when war raises its ugly head again. But we must ask ourselves, how many businessmen will be willing to gamble their investments on the stability of military installations and be there when our soldiers' families need their help and support? I realize it's a big decision for your committee, the Congress, and the President, and I pray God will be your shepherd in this.

[Mr. Henderson's statement may be found in the appendix.]

Chairman OLIN. Thank you very much for your testimony.

I think we're all very much aware of the fact that all of us in the country watched this war on TV, on CNN and other places, day and night practically, and I think we were very much aware of the difference in this war from other wars. We didn't have mostly 18- and 19-year-old young men and women; we had mostly mature people. They were people 25, 30, 35, and some of them quite a bit older. They were extremely effective.

This came about because they were career Army people, and they were reservists who had been trained for years and years, and on the weekends, and it sure showed up. I'm sure they weren't perfect, but they were very, very good, much better than we ever had before.

I think you're right, that we need to take a look at what some of the consequences were. Of course, that's the purpose of this hearing. I think your stories brought that home as vividly as anybody could.

It is also a fact that our country and our allies in the war have been helping other countries that had economic trouble because they couldn't get oil, or our troops were stationed there; all kinds of reasons. We have given quite a lot of money, both the United States as well as that coming from the other allies, to alleviate that situation. I must say that the situations you describe individually are much stronger than a whole nation's problems, but they are exactly the same thing.

This is a situation that occurred totally unplanned, really, and was quite a surprise. It had to be reacted to, and, of course, we did it. It's very important to be sure we're taking a look at who is paying the bill. That's really what you're talking about. It certainly was never anybody's intention that the reservists particularly, who were prepared to go, be wiped out for serving their country. There's no question about that. There has to be a way found to solve that.

Did you want to say anything else at this time?

Mr. HENDERSON. If I could, I would like to respond to a question that was asked earlier by a member of the committee, about those

business people who made a decision to locate near a military installation, knowing that the day may come that troops may deploy.

My response to that would be simply that yes, they knew that, and I would sit here and tell you that they have profited by sitting outside the gate of that post. However, somewhere I feel it is not all self-serving. They have given something back to that post. They have provided needed services. They have supported those children who attend schools on that post, the athletic programs, their track team, and their basketball team, whatever it may be. They have given something back to that military community.

The next time, will they be willing to take that same chance, that same gamble? Will they gamble their fortunes or futures, whatever, on that again? That would be my answer to that.

Then there was the question about the money. If the war had gone on another 3 months or 6 months, would we have had the money to continue to fund the war? If the answer to that is yes, then somewhere there has to be some money to help this committee.

Chairman OLIN. As you know, we went ahead with the war with a huge deficit in our country, so you can't say whether we had the money or not. But there wasn't any question of whether we would have gone on with it. We would have. We would have found the money. If we don't raise the money, we'll borrow it. But finally, we'll pay for it, either us or our children. That's the nature of it. There was not the slightest question, as you know.

Mr. Billy Edwards, would you like to go next.

TESTIMONY OF BILLY EDWARDS, CITY ADMINISTRATOR, CITY OF HINESVILLE, GA

Mr. BILLY EDWARDS. Yes, sir. Thank you, Mr. Chairman, members of the committee, for allowing me to appear before you today. I bring greetings from Hinesville, home of the victorious 24th Infantry Division.

Let me first tell you a little about Hinesville. Prior to the activation of the 24th Infantry Division in 1974, Hinesville had a population of approximately 6,000 people. In 1980, the population had grown to 11,309, and then, again in the 1990 census, our population had grown to 21,603.

Fort Stewart employs approximately 1,100 Liberty County residents, with an annual payroll of approximately \$33 million. The annual military payroll pours an additional \$370 million into the local economy, and I think it would be an understatement to say that the deployment of the 24th had a significant impact on our local economy.

Immediately, we experienced a slowdown in retail sales. For example, a local McDonald's franchise immediately realized a 40-percent reduction in sales. Walker Insurance, a local independent insurance agency, has also realized a 40-percent drop in sales. Every small business establishment operator who we talked to tells us that their business is off by 15 to 50 percent. This broad range can be explained by the different markets targeted by the various businesses.

Specifically, if a business is small, not very diversified, and targets the needs of the soldier, it has been impacted greatly, whereas the larger department stores have not realized such a severe impact.

The attached report on local sales tax and the accompanying chart graphically relate the decline in retail sales. The lack of income to these businesses has created a situation that prevents them from restocking their inventory because the fixed items associated with their overhead has depleted available cash reserves. Many have borrowed to the limit or are hesitant to borrow at market rates because of their uncertainty of their ability to pay back loans.

Another way that businesses have been affected immediately was by the loss of employees who were military dependents and later by the activation of National Guard and Reserve units. Gary Dodd, owner of the two local McDonald's franchises, tells me that 20 of 75 employees at one restaurant and 37 of 75 employees at the other left on very short notice. He was then placed in a situation with an extremely undertrained work force for an extended period of time.

In addition to military spouses leaving jobs, the activation of the Reserve and Guard units caused employees to temporarily leave their normal jobs. For example, the city itself lost eight employees through activation of Reserve and National Guard units. We have been able to cope with that problem, but I'm not sure that small businesses would have been able to cope quite as well.

Perhaps the business community that was most rapidly and severely affected is the residential rental market. Rental unit owners and managers have consistently experienced an occupancy rate of 95 percent or better over the last several years. Now they are faced with an occupancy rate of 40 to 60 percent. Dennis Waters, owner of a major residential rental business, reports a 40-percent occupancy rate. Paul Krebs, the owner of the largest nonsubsidized apartment complex in Hinesville, also reports an occupancy rate of 40 percent. While both companies have taken the opportunity to remodel some of their units, a continued occupancy rate of 40 percent will not allow them to maintain their units adequately.

Arguably, the ultimate indicator of a local economy is the number of business failures or closures in an area. Hinesville has been fortunate to have experienced a continuous increase in the total number of businesses to locate in the community over the last several years. However, during the last 4 months of 1990, we saw 35 businesses close their doors. Only 23 businesses closed their doors for the same period of 1989. That is a 48 percent increase in business closings.

Fortunately, our troops are returning home now, and we are proud to know they have served their country well. As a result of their returning, sales are increasing, and business, in general, is improving. However, without loans at below market rates, many of our businesses will be unable to restock their shelves, pay their suppliers, and generally recover from the financially difficult times we have been experiencing. As a result, more businesses will be forced to close their doors.

Thank you, sir.

[Mr. Edwards' statement, with attachment, may be found in the appendix.]

Chairman OLIN. We're going to continue the hearing. Mr. Poshard has gone over to vote, and when he gets back, I will go over, and Mr. Baker will do the same. We will keep the hearing going.

I know a lot of you have someplace to go after you leave here, and if any of you are going north, you're going to probably hit some snow.

Mr. Daugherty, would you like to go next?

**TESTIMONY OF SCOTT R. DAUGHERTY, EXECUTIVE DIRECTOR,
NORTH CAROLINA SMALL BUSINESS AND TECHNOLOGY DEVELOPMENT CENTER**

Mr. DAUGHERTY. Yes, sir, Mr. Chairman. I am pleased to be here, and I thank you for affording me this opportunity. I hope that some of our experience in North Carolina may have some relevance to your consideration.

We believe that North Carolina, proportionately, made the largest contribution to the Gulf War crisis. It is reputed that somewhere in the neighborhood of one out of six of the troops who were deployed or activated were based in North Carolina, either with the Marines at Camp Lejeune, the Airborne at Fort Bragg, the Air Force at Seymour Johnson, the Marine Corps Air Station at Cherry Point, and numerous Guard and Reserve units.

I am here in a little bit different capacity than the others whom you've heard, in that I am the State Director of the Small Business Development Center Program in North Carolina. Most of you who are on the Small Business Committee are pretty familiar with that program and know that it has been a remarkably successful program.

We have a strong program in North Carolina with a lot of outreach to better than 80 communities on a regular basis, including the communities that were impacted by the troop deployment in this instance. As you might expect with an organization that has that kind of outreach and involvement with the business community, we began to see very early on the impact of the troop deployment on our business community.

Early in the fall, we began to see two things in our offices that were pretty dramatic. First of all, all business startup activity almost stopped, just stopped. A good 40 to 50 percent of our clients throughout the State typically are business startups. Second, there was no reduction in clients. In fact, we had an increase in clients because we were seeing far more existing businesses that were beginning to experience some difficulties, looking for ways that they might improve their survivability.

Business owners are pretty smart, and when a big portion of their market gets up and leaves town, they want to look around at ways that they might improve their ability to make it long term. In fact, by the beginnings of the ground war phase, there were problems in our communities, in particular, the four counties which are the host counties for our major military installations. These are Cumberland County with Fort Bragg, Wayne County with Seymour Johnson Air Force Base, and that's the home town of our Congress-

man, Martin Lancaster, who was here with you earlier today, Onslow County, which is the home of Camp Lejeune, and Craven County, which is the home of the Marine Corps Air Station at Cherry Point. Those four counties were, in particular, most severely impacted.

As we began to see more and more businesses facing difficulties, we decided that we would try to pull together an intervention program to bring some added resources to those communities. Governor James G. Martin of our State also wanted to respond and announced in February, Project Lend-A-Hand. The keystone of that, I might say, is the business and financial counseling that is provided through our offices.

One of our concerns, quite frankly, when we introduced the program was that we would create expectations that couldn't be met, expectations that maybe we came to town with money, and we did not. But we came to town with some solid business expertise and counselors who could take a look at the needs of the firms, try to get a handle on what their condition was and, as important, what their potential for survivability was.

So, over the last 6 weeks or so we have been systematically working with clients in those four communities and collecting data on their financial condition. We wanted to know what kind of shape they were in before the deployment and what kind of shape they were in as a result of the deployment. Finally, we wanted to know who could make it another 3 months or another 6 months before their doors would have to close.

What we have found from our efforts are some things that all too often sound just too obvious, but perhaps we overlook some things in the obvious. First of all, the impact of troop deployments has been most evident in the communities which are least diversified. In our State, the impact has been by far the greatest in Jacksonville, which has, as you know, made a substantial contribution to the 2d Marine Division. In contrast, Fayetteville, over the last 15 to 20 years, has become a fairly diverse community. It has a lot of large-scale manufacturing and other attributes to its economic health.

What has happened in Fayetteville is that the visible impact of the troop deployment of the 82d Airborne has not been nearly as noticeable to people and, as a consequence, appears to have had no impact. Well, that's just not true. There are whole sectors of the service and retail economy in Fayetteville that have been devastated. I talked just yesterday with a black American who owns four daycare centers there. Two of those daycare centers he had to close. He lost 185 children who left town. They're just gone. So, there is a sector, even in our very well-diversified communities, that has been severely impacted.

I think that goes back to a question that was raised earlier by one of the members of the committee, and that is, haven't these businesses assumed a risk? Well, the only way you really could eliminate that risk is you could eliminate it statistically but you'll never eliminate it in actuality. You could put military bases in large, diversified communities and that will just not work. They need room. They need places to run their tanks, and their air-

planes, and do their exercises, and the like. So, that doesn't seem too realistic.

Second, the scale of military deployment obviously has an impact. Seymour Johnson Air Force Base contributed significantly, but Air Force personnel, in comparison to Marine personnel, is very small, so the economic impact is not as large.

Third, I think actual, complete business failures in our communities have been more limited than they may have been in some other communities. But, I will tell you this, that another 3 months will make all the difference. Many, many businesses are just stretched to their absolute limit, and if their markets don't return by June 1, they won't have a market because they won't be there.

Another factor—and I have not heard it addressed here, except tangentially—is that we know that in many of our military dependent communities many, many of the dependents went home. They left town. There's a reason for that. For an awful lot of our young troops, their families are living off-post and they're receiving a subsistence allowance. When they are activated in a setting where they're getting three meals a day and a cot, the subsistence allowance stops. So, the only way that some of these families can make it longer term is to go home to mom or their families, because the money that was allowing them to live in that community has essentially been cut off.

You have heard the stories, and we've seen them, that perhaps the most significant short-term impact is on Guard and Reserve small business owners, because when they leave, their business gets up and leaves with them. That's been devastating.

I think I have indicated that most of the firms we have talked to—and there have been hundreds of them—have indicated that the next 90 days are critical in terms of their survival.

Their financing needs are fairly limited. People are not looking for loans to replace lost sales but to figure out how to restructure and refinance so that they can survive longer term.

Finally, and I guess not surprisingly, is that there has been a very limited ability of Government to react. I think we reacted quite well militarily, but we really had not thought about what we would do to work with the communities. That gives us, I think, some reason to look at just a few things we might consider in the future.

First of all, we really do need to develop some plans now to reduce the impact in the future of either troop deployments or base closures. I know that issue will come back before the Congress in the near term. Once the euphoria dies down, the issue of the number of establishments that we have in place will be raised.

The communities themselves will get smart. I know Jacksonville will probably work hard at coming up with plans to expand and diversify their economy.

Second, we have to have a capacity to respond more quickly to economic disasters. We do quite well with natural disasters but very little with economic ones.

Chairman OLIN. If I could interrupt here, Mr. Poshard has returned. I'm going to let the gentleman from Illinois take over the chair while we go vote.

Mr. DAUGHERTY. The third recommendation I would make is that you do have a financing vehicle that appears close at hand, and that's the proposal that has been made by Congressman Lancaster.

Finally, I would like to make just a very brief self-serving statement as to the use of the resource base that you've already paid for, and that's the SBDC Program. In our own community, we reacted because we were watching and monitoring the situation fairly closely. But I would encourage you that you have nationwide an SBDC network that is in place, and in every State in the country has significant capacity. We were able to, quite literally, within 2 or 3 days, tap into over 40 business consultant professionals and make them available in a limited number of communities. That is a resource that ought to be considered on financing interventions as well.

We have had poor experience in the past with disaster loan programs in our State, where people, who are from out of town and not familiar with the folks in the community, come in and try to implement a program in a hurry. You have paid for and have already made a very substantial investment in programs that are already out there, that have resources and personnel who are local, and who have to look at the folks in Jacksonville and Fayetteville on a regular basis, and live with them. So, I would encourage you in your deliberations to remember that there's a resource base in place for you to consider.

Thank you very much.

[Mr. Daugherty's statement, with attachment, may be found in the appendix.]

Mr. POSHARD [presiding]. Thank you.

Mr. Ragsdale.

TESTIMONY OF CARL RAGSDALE, SMALL BUSINESS OWNER, JACKSONVILLE, NC

Mr. RAGSDALE. Thank you, Mr. Chairman. I appreciate the opportunity to be here today, and I appreciate the subcommittee's interest and concern for the businesses and people in the areas most dramatically affected by Desert Shield and Desert Storm.

I am one of those people who established a business in a military area. I am an automobile dealer in Jacksonville, NC, the home of Camp Lejeune, the 2d Marine Division, and the Marine Corps Air Station at New River. Everyone in our area is enormously proud of what our Marines and other service members have done in the Middle East, and we can't wait for them all to come home.

I have been in the Chevrolet/Cadillac business in Jacksonville for about 25 years now. In that time, I've been through manufacturers' strikes, I've been through a couple of recessions, and, of course, we lived through the Vietnam war. I have never seen business so adversely affected so fast and in so widespread an area as what has happened to us with this huge deployment. Approximately one-half of our area's population simply isn't there any more. About 37,000 Marines are in the Middle East, and when that happens, as Scott indicated, a huge number of their dependents just simply go back home for economic and emotional reasons.

If I may, let me share some of my business numbers with you. Let me say that my opinion is that my numbers are not as bad as some others in our area. At least I know what mine are.

As you probably recall, the Marines were deployed in waves. Our area really did not feel the total impact of the deployment until most of them were gone. As a result, my company's sales of new and used cars and trucks were up 8 percent through October, as compared with the same period last year. I mention this only to clearly indicate the recession was not affecting us at this point.

Then came November, and the Marines were gone by then, and the bottom fell out. In November, December, January, and February, our sales were down 34 percent. This means that our gross revenues are down 29 percent. In more real terms, this means that we have approximately \$203,000 less in this 4-month period with which to pay our salaries, rent, floor plan interest, to pay hospitalization premiums, and pay all the other myriad expenses that are necessary to keep a business going.

It didn't take a genius to realize that to survive I had to reduce expenses. As my revenue went down 29 percent, my number of employees has gone down 29 percent. Everybody who works for me now has taken a pay cut. Our contribution into our company retirement program has been temporarily suspended. Most of our employees are working either 2 weeks a month or 3 weeks a month now, and the list goes on and on of what we have done to cope with the situation.

As I said, I have reduced my work force by 29 percent. That means 17 people are out of work compared with October of last year. These are 17 good, productive, skilled, professional, trained people; 17 families whose lives, like the Marines' lives and like all our military people's lives, 17 people whose lives have been disrupted, whose plans, hopes, and dreams of the future have been put on hold. They're out of work, and so far as I know, none of the 17 have found work.

Multiply these numbers by all the businesses in these four counties in North Carolina, and all over the country, in fact, and you can readily see there are thousands of people who have been hurt by this deployment.

Now, I'm afraid we have a tendency to think this is merely a business problem. But, as we all know, businesses are made up of people, so this is really a people problem. These laid-off people, these unemployed breadwinners, are not as appealing to the media certainly as the returning warriors and heroes coming back. Nobody is putting up yellow ribbons for these unemployed people. They don't have a forum; they don't have a spokesman; they don't have photogenic people to appear on the media. They're forgotten, to some extent. We do them a huge disservice if we forget them. Let's not do that. These people are really hurting, not through their fault, but through circumstances completely beyond their control.

What might we do to help some of these people? Well, I think we're doing the first thing, and that is getting the troops back as fast as practical. That's the obvious permanent solution to this thing. I hope that's being taken care of. We are hearing that most of the troops in our area will be back in 5 to 6 weeks.

The quickest, most immediate relief that could be granted in my business, and probably other retailers of fairly big ticket items, would be if the manufacturers of our products would arrange for their finance companies that they own as subsidiaries to suspend floor plan payments until the troops come back, until some time in the future. As I'm sure you know, most of our inventories are floor planned—that is, they are paid for with borrowed money, and in times of slow sales and high inventories, which is what we're seeing now, that floor plan interest is very burdensome. For most dealers, that's the largest single expense we have after salaries. It's very tough to pay in times like this.

For many car dealers, and I suspect for many other businesses also, particularly ones that have floor plans and have big ticket items to sell, the ability to borrow money to bridge us, to get us through this time, is going to be absolutely crucial. I had two dealer friends of mine call me last week, and one of them told me that he needed to sell—he had to sell—one-half of his business that week or lose all of his business. Another one called me the next day. This guy has been in business for about 13 years and is an excellent businessman. He's in a military market in North Carolina. He told me that he needed to borrow \$100,000 in the next 24 hours or he was going to be out of business. He couldn't borrow it.

Now, I know that Mr. Greenspan at the Federal Reserve has recently decried the lack of willingness on the part of bankers to loan money, the lack of availability of credit, and yet, on the other hand, the bankers blame the Federal regulators for making them to be such reluctant lenders. I don't know what the answer is there. Someone, however, needs to cut that knot and figure out some way to make some bridge loans available to many people or they simply aren't going to be there when the troops get back. If and when we close up, the businesses close up, then more and more people are thrown out of work, and the problem is compounded.

There was reference made to the inherent risks involved in having a business in a military town. That is a risk, certainly. In view of what has happened this time, with this deployment, and in view of our country's military posture and foreign policy, if it comes to the point where a businessman decided that the risk involved in being in business in that location outweighs the potential for gain, then the prudent business decision will be not to go into business in that area. If that happens, there will be no support for the troops, there is going to be no infrastructure, and there is going to be no quality of life for the military. I think that's probably an extreme that none of us wants to see happen. I hope it won't.

I appreciate, again, the chance to be here. I thank the subcommittee and its members for their time and concern. I hope, that working together, we can deal with this complex dilemma as well as our forces who were with Desert Storm.

Thank you.

[Mr. Ragsdale's statement may be found in the appendix.]

Mr. POSHARD. Thank you, Mr. Ragsdale.

So, the danger here is in people possibly looking at what's happening here with Desert Storm and thinking that this could happen again and, therefore, you're not going to draw businesses,

industry, or anything else to that area where bases are located. They may think this is starting a pattern for the future.

Mr. RAGSDALE. That is a possibility; yes. Particularly with our military's emphasis on quick deployment, rapid deployment, and so forth, prudent business people are going to have to consider this.

Mr. POSHARD. Mr. Ragsdale, one of the things you mentioned interests me, and maybe others could comment on it.

Forgive me for not hearing everybody's testimony, but we're in the middle of amendments to the Desert Storm military appropriation bill today, and there's a lot of discussion and controversy over several of them. We're running back and forth to vote all the time, so forgive us. By the way, other members of the committee who aren't here will get your testimonies verbatim, so it isn't as though nobody cares. It's just that everybody is tied up right now with different things.

The banking community—as you probably know, we're all skittish out here because of the S&L problems, and that has carried over into the banking community. There are some people who believe that we're going to be seeing similar problems in the banking community down the road and, therefore, everything is tight. We have everybody being ultraconservative in this period of time because we don't want to risk the same thing happening in the banks as has happened in the S&L's.

What can we do? Obviously you need investment capital available. You need risk capital. How can we do that if we're in this era of tightening up.

Mr. RAGSDALE. That's an interesting question. Depending on who you ask, the answer will vary, obviously. Obviously banks are concerned that their loans be repaid, and that's a valid concern. If they are looking at businesses in military areas that have had a loss situation for the past 4 to 7 months, I can understand their point of view and why they might not want to loan the money.

It seems to me that if a program could be developed whereby a businessman who had a track record, who had proven himself to be a prudent person, a good operator, and yet because of the losses he had sustained in the last 7-month period, his collateral, his assets, had dwindled, if some Federal agency, be it SBA or something else, could not loan the money but guarantee the loan in some way. Now, I realize that might mean you have to have the funds to repay it, but I understand that bankers are concerned with things like character, and capacity to repay, and collateral. If there was some way to help business people set aside the collateral requirements, who had demonstrated the character and capacity to repay—I'm speculating now—but I think that would relieve the bankers and take some of the risk away from them.

Mr. POSHARD. Realizing that these are unusual circumstances which may have precipitated the need for the new capital, you base the loans more on a person's background and history than the current situation.

I guess there is a possibility, too, of something I was thinking of, that maybe the Government should encourage some risk pools to be developed among several banks. Maybe one bank doesn't want to take the risk of a \$200,000 emergency loan, but if several banks

could put a million dollars together each, there might be a pool from which the local business people could draw.

Mr. RAGSDALE. That's a valid idea.

The shame of this is that you're probably talking about, in the numbers that you folks deal with, relatively small amounts of money.

Mr. BILLY EDWARDS. Another possibility may be to buy existing loans from the local lending institutions by SBA, thereby giving the local businessmen a lower interest rate and reducing his overhead as a result.

Mr. POSHARD. That's a good idea.

Well, the chairman is back. Mr. Chairman, I will turn it back to you. I think this panel has about concluded.

Chairman OLIN [presiding.] Thank you.

I wanted to ask Mrs. Ploof if she had finished what she had to say. We sort of cut you off and didn't give you a chance to finish.

Mrs. PLOOF. I have nothing further.

Chairman OLIN. I would like to thank the panel for coming. We have a big subject here that really hasn't had enough thought given to it. It has a lot of ramifications. We have the inequities that are evident. But then, as we try to find a remedy for the inequities, we have to be sure we don't create some other inequities for people who may feel they never got a break by getting Government help. So, I think we're going to have to give a lot of thought to exactly what measures will make good sense for the long term.

It is quite evident that certainly we didn't expect, because of this war situation, which was a national project, that individuals ought to be unduly hurt, and certainly not hurt permanently. Everybody needs to sacrifice a certain amount in the national interest, but we really don't expect for them to be wiped out. Particularly, since we have the strategy and philosophy of a volunteer service, backed up by Reserves, and this has proven to be extremely effective, I'm sure we're going to continue it. In order to have that be effective and get people to take part in it, we're going to have to be sure there's not a lot of injustice done to those who make the sacrifice to help the Nation in that respect.

So, we appreciate the contribution that you have given in your testimony. We will be anxious to read the testimonies. If any of you have any further thoughts on this as you go away, drop us a line. We would like to hear from you.

Is there anything else, Glenn?

Mr. POSHARD. No, sir.

Chairman OLIN. Fine. We thank the panel very much. Have a safe trip home.

Chairman OLIN. We have one other panel, which is small. I would like to ask them to come forward, if they would. Major General Hultman, executive director of the Reserve Officers Association, and Richard Schneider, deputy director of Legislative Affairs, Non-Commissioned Officers Association. We thank you gentlemen for being with us. We thank you for staying this long. We are very anxious to hear what you have to say from your point of view.

Major General Hultman, would you like to start off.

TESTIMONY OF MAJOR GENERAL EVAN L. HULTMAN, AUS [RET.],
EXECUTIVE DIRECTOR, RESERVE OFFICERS ASSOCIATION OF
THE UNITED STATES

General HULTMAN. Fine, Mr. Chairman.

Let me say at the outset to you and the members of the committee, that as the executive director for the Reserve Officers Association—your neighbor over there at No. 1 Constitution Avenue—in fulfilling the charter that you have given to us, and through the many hearings of committees and subcommittees that I have appeared before since I've been in this capacity, none have been more important than the one here today. I don't say that at every committee meeting or subcommittee meeting that I come to.

So, why do I say that at the outset? It is not just to compliment you—although I certainly mean to do that—but early on you have taken on a big bear here, but a critical bear. As the testimony that has gone on here comes out, and from the observations that you and your colleagues have made, we're in a different ball game than we've ever been in before—in your time in World War II, like mine, and in Mr. Baker's time, and Mr. Poshard's time. It's different for two primary reasons.

One difference is that we developed, in 1973, an all-volunteer force, and thank God we did. That's in no derogation to—I was going to say to Mr. Baker here that I agree with his concerns—but we haven't had the problems that we had in the past, many of them, because of that major change that we made. Our critics said it would never work. It would never work for a thousand reasons.

The other change that we made, in all wars up to this particular one, including World War II, Korea, and Vietnam, was that we went to a total force policy. Instead of the Guard and the Reserve being a follow-on force, 6 months, a year, or 2 years later, we said we're going to put this force together from day one as an integral force where the Guard and the Reserve is going to be, with the active, one total force. This meant they would be deployed together from day one, not 6 months, a year, or 2 years later.

You heard from a businessman who sat right here, Major Lough, who not only was a volunteer, as were 10,000 or 15,000 like him under the total force Reserve, but they came on the first day before anybody even asked them to come from a Presidential order under 673(b). Why? Because they were needed. They were needed on day one, those pilots and those aircraft, those officers and enlisted men and women, to go as a part of that total force.

So, with those two major changes—and they are absolutely incredible changes—a number of things have fallen out from it which are different than ever before. That's what you are dealing with here today. These men and women have given you a very graphic exposition from one pole to the other of what those major problems are.

So, let me just then touch on a couple or three concepts. I don't want to deal with the things that are in my written testimony.

One is, I think, a major premise. The fact that this war is different, because of those two factors that I referred to, we have a totally different situation in the business community of those base and post towns that certain testimony has been about, and I think you

have to look at that problem differently, because it is different. It is altogether different. It has to do with the impact on communities, for the first time different from all those previous wars that we've been involved in, where literally a community picked up and left.

In our time, the community did not pick up and leave. New soldiers and new sailors kept coming, and you had this residual while men and women kept leaving. So, you didn't have that impact on the community like the one that happened in the last 9 months. It's unique, it's different, and it's a critical difference.

Now, I am not prepared to discuss that one. You had expert testimony, and you're going to get more on that. But it is the other aspect that I'm here to discuss, and that is the impact of reservist in the small business community, some of which are in those communities that have been referred to as the major bases. But I'm talking primarily about the 227,000 men and women who were called in the Guard and Reserve and are the 1 million plus, if we ever have to go to that, who are in the Guard and Reserve, all volunteers. Because of the great strength and why even the most severest critics of the total force policy now admit, it worked. It worked so well that even those of us who thought, even with a lot of reservations back in 1973 and in the years that have followed, that we were taking some hellish chances here. I'll be very frank about it. I found that I was wrong on a number of those assumptions, but none of us are wrong in what the bottom line is. It worked like nobody ever dreamed.

Now, with that premise, we have to face the problems now that come with it, the shortfalls or the fallouts that are adverse. That's what you have been dealing with. A critical one with reservists is the small business man or woman, the mom and pop people who are the ones, because of that great experience and skill, who are making the total force work.

As has been pointed out, it worked so beautifully because we had this advance level of education and experience leading at every level in this event that we just went through. That's not in derogation to an 18-year-old volunteer on his birthday in 1943, possibly like you, Mr. Chairman, and thousands of others like us out there. But for that group with the high technology and the leadership we have to make sure we don't lose them now. Because I can tell you right now that there are critics, the soothsayers, saying because of these problems, the total force policy ought to be changed, and it isn't going to work in the future.

I say to those people, you give me whatever the alternative is because I have not seen it; I haven't heard it. Going back to a draft is not the answer to anybody's problems in the area we're talking about, and, very frankly, I don't think universal service is any answer, either. Because when you start thinking about the machinery and the cost of going to universal service, we're talking about an incredible thing.

So, I say to you today, these are the practical problems we have to meet. But we cannot be doing things for reservists that are above and beyond that of the active force. That principal is one we have fought for in the Reserve and never would violate it, because if we do, we're sewing the seeds of another destruction that is abso-

lutely incredible. If the risks are too great, then there's no system we can develop that's going to protect them.

What we do has to be in the area of greatest need, priority-wise, for the most within this system that will protect this All-Volunteer Active, Guard, and Reserve total force which has worked so well. One of those things, just by way of illustration, is to at least treat those men and women in their businesses in a time of disaster at least as well as we treat everybody else in times of disaster today. Not something extra, not something beyond, but at least treat them and meet those fundamental needs that they have. If we do that, we will guarantee that the total force will work in the future. That's what we're really looking at, not just in the short run and in the fallout of today, but 5, 10, 15, and 20 years on down the road. If we make sure we take care of those problems of these reservists and guardsmen in that total force, they will be right back, and they're going to stay.

They didn't join for that risk alone. They face that risk and are willing to shoulder that as "twice the citizen," as Churchill said. But we can't treat them as second class and not meet those kind of needs and those responsibilities when they put themselves twice in harm's way.

Chairman OLIN. I think that's a very good observation. I don't want to cut you off, but—

General HULTMAN. No, no; I have just concluded.

[Major General Hultman's statement may be found in the appendix.]

Chairman OLIN. I'm a little worried that we're going to have another interruption. I would like to get finished.

Mr. Schneider, could you go ahead, please.

Mr. SCHNEIDER. I will, and I will be quick.

I thank General Hultman for his comments. I thought he was reading my paper.

[Laughter.]

Chairman OLIN. I wouldn't be too surprised because you both feel pretty close to the same way.

General HULTMAN. That's right.

TESTIMONY OF RICHARD C. SCHNEIDER, CHIEF MASTER SERGEANT, USAF, RETIRED, AND DEPUTY DIRECTOR, LEGISLATIVE AFFAIRS, NONCOMMISSIONED OFFICERS ASSOCIATION OF THE UNITED STATES OF AMERICA

Mr. SCHNEIDER. I am here today on behalf of the Non-Commissioned Officers Association, particularly for the Reserve and National Guard people. The area of commercial small business has been addressed all day, and Desert Storm, the victory that it has been, appears to have produced an American quagmire. We recognize there's a problem out there.

I would only point out to you today the need to include the Guard and the Reserve small business operators/owners into a disaster recovery program, administered by the SBA. These people do not have the resources to live. It is obvious to all of us who work with the military, have an association with the military, for those of us who read the newspaper, that we have Reserve family after

Reserve family who have had their income stream reduced since being activated. I would point out to you, Mr. Chairman, none of them are complaining. We are not hearing the complaints. They are not complaining.

These people lived at a debt ratio based on their higher income. They were business owners and, as such, their departure, as was illustrated by the panel earlier today, either ceased or extremely limited the productivity of their businesses. When these people come back, they are coming back to businesses that are going to be heavily encumbered by financial debt. But more than that, they are going to come back, and their families are going to be heavily encumbered in personal debt.

If you take every reservist who is over there right now and suffering an income loss, most are employed by a business, and they're coming back to a job. These people have the opportunity to pick up the pieces and make a go of it. But for that reservist, that guardsman, those people who own businesses, when they come back, they have all the debt structure of their personal lives, and they suffer the loss of their businesses, or the near collapse of their businesses, and they don't have a check coming in. They are unemployed upon demobilization.

So, it is for that group of people that we seek this subcommittee's support to effect the amendment to allow loans and disaster recovery to help them put their lives back together.

I know my testimony is entered for the record, but I would like to add a military pay chart to that testimony.

Chairman OLIN. OK, we will receive that.

Mr. SCHNEIDER. Thank you, sir.

I would point out just one case. One of our gentlemen, an E-5, who developed a business and invested in that business only 2 months before Desert Storm, didn't think it was going to happen. But, as the General said, total force is a whole new concept. He didn't think it was going to happen; he didn't think it was going to happen to him. He was mobilized 60-some days after starting his business. He went in 2 months, with a bottom line profit of over \$3,000 a month, to the pay of an E-5, which is just less than \$1,500 a month.

His family is heavily impacted. His business has collapsed. When he comes back, I'll guarantee you there's not a bank in his community, not a credit union in his community, that is going to make the resources available to an unemployed failed businessman to get him back on his feet. Yet, he has the capability, he has the qualification to succeed. He needs this subcommittee's support to make his dream, the American dream, come true. So, I charge you that we need your help, now as never before, because if we lose these businessmen—and right now, if you look at the rolls of the Small Business Administration, 3.5 million veteran businesses in small business—if we lose these reservists today, they're going to be gone from the total force concept and the Reserves are going to be weakened by the loss we sustained by not having their ability and capabilities within the Reserve structure.

I would like to make one comment regarding what Mr. Baker said earlier, the All-Volunteer Force—and I'll make this quick. We have got an All-Volunteer Force, but we do not have in the Persian

Gulf today all volunteers. We have literally "conscripts." Because stop-loss was introduced in the fall of 1990, we had many people who were on retirement orders, who were going to retire 30 days out, and those people got the notice that they were not going home. We had young enlisted people who were going to end their enlistments, who had planned to go to school, and they are still serving on active duty, and their school plans fell by the wayside. So, in reality, although we have the all volunteer who joined, serving today we do not have all volunteers, because I can tell you that our association received an awful lot of cards, letters, and telephone calls from people about their inability to separate and continue the lifestyle those people had planned.

For the reservist and the National Guard people, we seek your support, and we seek it equitably to provide a fair opportunity to these people to succeed and pick up the pieces.

Thank you, sir.

[Mr. Schneider's statement may be found in the appendix.]

Chairman OLIN. Thank you very much. I'm glad you brought that other category in, because I have received quite a few phone calls from the wives of enlistees, who thought their husbands were going to come home, who were going to come home a week after the President told them you're going to have to stay longer. The wife would ask how much longer, and I would say as long as they need them. It's unfortunate, but that's how long he's going to stay. You can't be sure how long it's going to be.

You're right, those individuals didn't volunteer. It's the extra enlistments that they're involved in right now.

General HULTMAN. They didn't have any duration plus 6, as you remember very well.

Chairman OLIN. Nobody's complaining, but they just want us to know that they still want out.

Mr. SCHNEIDER. I might also address Mr. Sanders' bill on equalizing pay with lost income. We do not advocate that and would advocate against it. It just is not fair, not only—

Chairman OLIN. I picked up that up in the General's comments, that you don't want to have an out-of-balance situation.

General HULTMAN. It can't be.

Mr. SCHNEIDER. Nor would you want it out of balance between the active and the Reserves. You would not want two privates in a foxhole who are reservists and who are getting different amounts of money.

General HULTMAN. In fact, that's the concept we've tried to promote and continue to work on with the total force, one total force that gets treated equally. That doesn't mean that when a reservist only gets x amount of days at the commissary that he's being treated adversely. He is being treated again on the days pursuant to the percentage of time that he's on active duty and he is paid equally. So, that concept I think is very important and very critical.

Chairman OLIN. I think we will be pretty mindful of that.

Mr. Poshard, do you have any other questions or comments?

Mr. POSHARD. Mr. Chairman, just a quick question.

Obviously, you folks meet a lot of reservists, and you're intricately involved in all of this yourselves. But is this the major downside

that you've heard about from the All-Volunteer Force? If we can find some what to balance this out, then we've got to go, right?

General HULTMAN. I think it's the most critical of all, not only from the standpoint of the guardsman and the reservist, but you're also talking here about a number of employees. Many of these are small businesses. It happened in the case of Major Lough, where he was talking about 26 or 28 employees. Like the Cadillac dealer where half of those employees are out of work. They had nothing to do with the Guard and the Reserve, but because of it being a small business and the impact upon it, it's a very adverse impact upon those other employees.

So, the problem we're dealing with here, in the judgment of the Reserve Officers Association, are the people who are in the middle right now and looking to the future. There isn't any question. When we analyzed last fall from the beginning and started asking our people going on duty, what is your problem, there isn't any question. This one was the first to surface and the most critical.

Now, there are some others out there that we ought to address, but they're not in the same league. Like students, for example, who started the fall semester. They have paid their fees, et cetera. We have to protect that student like we would anybody, to get their fees back at the time they are back, take care of those personal problems. But that's small compared to the one we're dealing with here. Without any question, this is the most critical problem.

Mr. POSHARD. I did not realize, as Mr. Schneider indicated, that there are 3.5 million veteran businesses in the Reserve components alone.

General HULTMAN. Yes, sir.

Mr. POSHARD. That's a huge number, Mr. Chairman.

Chairman OLIN. It certainly is.

Mr. POSHARD. It goes even deeper than that. I represent a rural district, a coal mining area, and we're lucky to have a doctor in any of our small towns. We had several physicians called up and our hospitals were left without doctors. Those folks are business people, too. It really has affected us in many ways.

Mr. SCHNEIDER. I think the two areas that need to be addressed by the business communities out there today are not only what has happened now but, now that the Persian Gulf war is over and the troops are coming home, we are beginning to implement the DOD restructuring of a force drawdown. We're going to see dramatic changes around the United States. Later this spring, the base closure list will come about. So, there is a tremendous number of planning concerns that need to be addressed by small businesses.

An area within small business that I would like this subcommittee to consider is within the Small Business Administration. We have been on record for a long time for a specific category for veterans to come into the Small Business Administration and compete within a category of veterans, as opposed to the big, total category of 200-plus million people in the United States. With the growing veteran population that we have today, these people need better opportunities. If we are to keep these people, then the opportunities need to be there. So, I share that consideration for your thoughts.

Chairman OLIN. It's worth consideration.

General HULTMAN. I would like to add just one footnote, if I could, Mr. Chairman. I would not want to leave the impression, because I think it would be totally wrong and false if we left the impression that this challenge is one that is the death knell in terms of large numbers. We're not talking about large numbers.

For example, out of the 228,000, if you reduce that down, our best projections—and they're purely guesses at this stage—but, based on some surveys 2 or 3 years ago that I referred to in my testimony, we're talking about a few thousand, really. But this is a catastrophe for those few thousand, and you heard it today. But beyond that, it is the view out there that the impact on a total force and an All-Volunteer Force, I'm going to tell you, is something really tragic. So, the cost that we're talking about is very, very minimal. If it weren't, we would be the first ones to tell you.

That's why, when we talk about those programs out here of replacing salaries, et cetera, we're talking about big bucks.

Chairman OLIN. It will be little if we're careful how we define the limits.

General HULTMAN. Yes.

Chairman OLIN. Otherwise it can be big.

General HULTMAN. Absolutely.

Chairman OLIN. You were just about to say that, I think.

Mr. SCHNEIDER. I would add, too, that while we have many heroes in the Gulf, we have many Carolees, real heroes here in the United States, spouses who have held the families together and have attempted to run the businesses. They are a remarkable group of people and a remarkable group of Americans. I couldn't say enough about those people.

Chairman OLIN. Before we dismiss the panel, I want to recognize that we have some people from the Small Business Administration, Mr. Alfred Judd, Charles Hertzberg, and Cheryl Anderson.

Is there anything you would like to add at this point. You weren't invited to testify, but feel free to come forward and make any observations you would like.

Mr. JUDD. Just a couple, Mr. Chairman.

From the perspective of the Small Business Administration Disaster Loan Program, which I head, I first of all would like to very much commend you for holding this hearing. I think this is very instructive for our part. We have heard many of these same kinds of stories.

When you staff invited us to come and testify, we urged that we not be asked to do so because we could do nothing more than pass along the stories of others, very much hearsay. I think these people have spoken to these problems much more directly and eloquently than we could ever hope to do.

We are here to answer any questions that you might have, as you might be looking forward to asking us for some legislation to respond to these kinds of problems, or in any other capacity.

The other remark I would make to you, Mr. Chairman, is that the kinds of testimony that you've heard here today is entirely consistent with the kinds of stories that we have been hearing ourselves.

Chairman OLIN. The biggest request we have had is to develop a category of disaster that fits this situation, and if you can help us

with that definition in such a way that will be understandable and workable within your system, that would be useful.

Mr. JUDD. Of course, that's what the legislation—

Chairman OLIN. Yes; we've got that in the legislation. Do you have anything to offer on that legislation to improve it?

Mr. JUDD. To be honest with you, I have a couple of concerns about some specifics in there.

We heard some testimony today that some of the kinds of businesses that are most impacted are those who are landlords, people who rent out residences, in some of the communities where a lot of troops were deployed. If we are going ahead with the implementation of the standard Economic Injury, Disaster Loan Program we have on the books at the SBA today, those kinds of businesses are not eligible. I think there's going to be some very disappointed folks if that's the expectation.

To be perfectly candid, I am also very concerned about the limits per loan in the legislation passed by the full Small Business Committee in the House last week. I think you heard some testimony today very directly about some businesses with dollar needs substantially in excess of that.

Everything that I would suppose to be the problem out there because of Operation Desert Storm, and everything that I've heard, and everything that I have heard today, would suggest the problem is fully similar to the kinds of economic injury that we encounter in any natural disaster, whether it's Hurricane Hugo in South Carolina, or an earthquake out in San Francisco Bay, or a flood in Roanoke, VA. Those dollar needs can be whatever they are. I rather suspect they're somewhat larger than the limits that are in that legislation.

I know that you're facing budget problems, but if we're going to be expected to implement that, though, I'm very concerned.

Mr. POSHARD. Would the gentleman yield on that point?

Chairman OLIN. Certainly.

Mr. POSHARD. I understand what you're saying, but I do want to make the point that there is one very essential difference here, and that is that natural disasters and so on are things that we expect, but what we're talking about here is the implementation of an All-Volunteer Force and a total force policy which is, as the General indicated, the first time we've actually done this.

It may very well fall upon the SBA to plug that one major hole that has come about as a result of our employing that policy. That's the essential difference, as I see it. Because this is a very serious issue, and I would hope that you folks could convey to the administration the difference here in regard to how important it is for us to make these loans available to our returning veterans who are in the Reserves.

Mr. JUDD. I appreciate your point, Congressman. My single concern is that, with certain limits there, we might be expected to address a serious hemorrhage with a band aid. Then people will be disappointed that we can't really address the problem.

Chairman OLIN. That's right. But we have to be careful how we structure this, because we're not talking about making disaster loans for every disaster that's going to come along for a small business person, particularly for those who happen to be reservists or

veterans. We are talking about something that grew out of this particular situation, which was a national project of a sizable magnitude that they got caught up in, not the ordinary trials and tribulations of being in business.

Mr. POSHARD. That work, that work well.

Mr. SCHNEIDER. Mr. Chairman, may I just make one additional point?

Chairman OLIN. Certainly.

Mr. SCHNEIDER. It has been said many times here today, and I would like to end by saying it once again. We need to process this quickly. We need to cut the tape, and we need to provide a method to have a fast delivery of the dollars.

Chairman OLIN. You're talking about a fast delivery right now, not——

Mr. SCHNEIDER. Not next year.

Chairman OLIN [continuing]. Not some other time when we have another situation.

I think you're right. The bulk of the troops, of course, are not home, but as I understand the President's plan, you're talking about midyear maybe being a target where the vast majority would be home, barring some unexpected occurrence. So, we're talking about only a few months.

We need to act on this to have something available. A nice time would be June 1st or some good short date. But if we got it done by July—of course, the President is talking about July 4th as being a day of recognition. That's another good day to think about, not slipping from that. So, I think we're well aware of that.

Mr. HERTZBERG. Mr. Chairman, if I could offer one comment. When you were out, Mr. Ragsdale, the Chevrolet-Cadillac dealer, testified, and indicated there was some difficulty in getting banks to make loans and was seeking some sort of guaranty authority that could help in overriding the regulatory concerns that the banks seem to have.

I caught Mr. Ragsdale outside and told him that there is such a program in existence now. The SBA regularly guarantees such loans. SBA would not be concerned with the credit impact of a callup in a military place, basically because we see that it's of limited duration, it's something that will end, and we can live with the temporary situation that would create. What's more difficult, of course, is a base closing, where there would not be a solution immediately available.

So, the guaranty program is available. A creditworthy business, one that can show that it can survive, can receive assistance and can receive assistance right now under existing legislation and programs, and we're anxious to make that available.

Chairman OLIN. Fine. That's good information.

Anything else, Mr. Poshard?

Mr. POSHARD. Only if I may ask unanimous consent, Mr. Chairman, to insert my opening remarks in the record.

Chairman OLIN. You certainly can. No objection.

[Mr. Poshard's statement may be found in the appendix.]

Chairman OLIN. We appreciate all of you coming, and particularly the two Reservists, and also the SBA representatives. It's nice of

you to sit through the whole thing. I hope we have something for you here fairly shortly that will be acceptable and doable.

The hearing is adjourned.

[Whereupon, at 4:45 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

APPENDIX

HENRY B. GORTALEZ, TEXAS, CHAIRMAN

FRANK ANNUNZIO, ILLINOIS
 STEPHEN L. REAL, NORTH CAROLINA
 CARROLL HUBBARD, JR., KENTUCKY
 JOHN J. LAFALCE, NEW YORK
 BARRY NESS, IOWA (DND)
 BRUCE F. VENTO, MINNESOTA
 DOUG BARNARD, JR., GEORGIA
 CHARLES S. SCHUMER, NEW YORK
 BARRY FRANK, MASSACHUSETTS
 BEN FROEDICH, ALABAMA
 THOMAS R. CAMPER, DELAWARE
 ESTEBAN EDWARD TORRES, CALIFORNIA
 GERALD D. SLEICHA, WISCONSIN
 PAUL E. KAHNORSEI, PENNSYLVANIA
 ELIZABETH J. PATTERSON, SOUTH CAROLINA
 JOSEPH P. KENNEDY II, MASSACHUSETTS
 FLORIN F. FLAKE, NEW YORK
 KENNETH M. FINE, MARYLAND
 PETER HOAGLAND, NEBRASKA
 RICHARD E. NEAL, MASSACHUSETTS
 CHARLES LUTER, IOWA
 MARINE WATERS, CALIFORNIA
 LARRY LAROCCHI, IDAHO
 BILL ORTON, UTAH
 JIM BACCHUS, FLORIDA
 JAMES MORAN, JR., VIRGINIA
 JOHN COX, JR., ILLINOIS
 TED WEISS, NEW YORK
 JIM BLATTERY, KANSAS
 GARY L. ACKERMAN, NEW YORK

U.S. HOUSE OF REPRESENTATIVES
 COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
 ONE HUNDRED SECOND CONGRESS
 2129 RAYBURN HOUSE OFFICE BUILDING
 WASHINGTON, DC 20515

CHALMERS P. WYLLIE, OHIO
 JIM LERCH, IOWA
 BILL MCCOLLUM, FLORIDA
 MARGE MOULDER, NEW JERSEY
 DOUG BERUTER, NEBRASKA
 THOMAS RIDGE, PENNSYLVANIA
 STEVE BARTLETT, TEXAS
 TONY ROTH, WISCONSIN
 ALFRED A. MCARDLE, CALIFORNIA
 RICHARD N. BAKER, LOUISIANA
 CLIFF STEARNS, FLORIDA
 PAUL E. GALLAGHER, OHIO
 BILL FAXON, NEW YORK
 JOHN LAMBERT DUNCAN, JR., TENNESSEE
 TOM CAMPBELL, CALIFORNIA
 MEL HANCOCK, MISSOURI
 PHILIP NELLE, CALIFORNIA
 JIM RUSSELL, IOWA
 RICHARD A. ARMSTRONG, TEXAS
 CRAIG THOMAS, WYOMING
 BERNARD LAMBERNE, VERMONT

(DD) 125-4247

STATEMENT OF ESTEBAN E. TORRES
 HEARING ON THE EFFECT OF THE DESERT STORM DEPLOYMENT ON SMALL
 BUSINESS

Mr. Chairman, I appreciate the opportunity to enter my statement into the record of this first hearing of the Subcommittee on Environment and Employment. As the former chairman of this subcommittee I am very much interested in the issues you will confront this session and hope to work closely with you.

I was distressed to learn of the circumstances which our volunteer military had to face upon returning from their triumph in the Persian Gulf. Now that the war is won, I am hopeful that those individuals with small businesses are properly aided in their return to normal lifestyles. I was pleased that the Chairman John LaFalce has taken great interest in this issue.

I would like to thank the witnesses for providing this subcommittee with the necessary background to understand economic backlash our troops are facing.

OPENING REMARKS

THE EFFECT OF THE DESERT STORM DEPLOYMENT ON SMALL BUSINESS

HON. GLENN POSHARD

OF ILLINOIS

COMMITTEE ON SMALL BUSINESS

SUBCOMMITTEE ON ENVIRONMENT AND EMPLOYMENT

MARCH 13, 1991

MR. CHAIRMAN, I AM PLEASED TO JOIN YOU TODAY IN TAKING A CLOSER LOOK AT THE EFFECTS OF OUR TROOP DEPLOYMENT IN OPERATION DESERT STORM ON SMALL BUSINESSES.

I KNOW WE ARE ALL VERY PROUD OF OUR CITIZEN-SOLDIERS WHO ANSWERED THE CALL OF DUTY. THEY LEFT THEIR FAMILIES, FRIENDS, AND HOMES TO TRAVEL A GREAT DISTANCE TOWARD AN UNCERTAIN FUTURE. BUT THEY DID SO WITHOUT COMPLAINT, AND PERFORMED BEYOND EXPECTATIONS. OUR DEEPEST THANKS GO OUT TO THEM.

IN ADDITION, THESE MEN AND WOMEN ALSO LEFT BEHIND BUSINESSES THEY OWN, OPERATE, OR PLAY A KEY ROLE IN KEEPING PROFITABLE. THEIR ABSENCE FROM LARGER CORPORATIONS IS CERTAINLY NOTICED, BUT IN THE INSTANCE OF SMALL BUSINESSES, THEIR ABSENCE COULD MEAN THE DIFFERENCE IN STAYING IN BUSINESS OR NOT.

AND THEIR ABSENCE WAS CERTAINLY FELT BY THE FOLKS WHO OPERATE BUSINESSES NEAR SOME OF THE MILITARY BASES WHICH SENT THOUSANDS OF MEN AND WOMEN TO THE PERSIAN GULF. I KNOW MY NEIGHBOR CONGRESSMAN CARROLL HUBBARD OF KENTUCKY CAN TELL US WHAT HAPPENED IN AND AROUND THE FORT CAMPBELL AREA. IN A VERY REAL SENSE THOSE BUSINESS PEOPLE HELPED SUPPORT OUR WAR EFFORT, AND I BELIEVE WE ARE OBLIGATED TO MAKE SOME APPROPRIATE ASSISTANCE AVAILABLE TO THEM.

I AM PLEASED TO SEE THE SMALL BUSINESS COMMITTEE RESPOND TO THIS SITUATION WITH LEGISLATION AND CONTINUED INVESTIGATION INTO WHAT CAN BE DONE TO HELP. THESE MEN AND WOMEN WERE THERE WHEN WE NEEDED THEM, AND WE MUST BE THERE FOR THEM NOW WHEN THEY NEED US.

I CONGRATULATE CHAIRMAN OLIN ON HOLDING THESE IMPORTANT HEARINGS AND LOOK FORWARD TO PARTICIPATING FULLY IN THIS DISCUSSION.

Committee on Small Business
Subcommittee on Environment and Employment

Testimony of Rep. H. Martin Lancaster

March 13, 1991

Mr. Chairman and Members of the Subcommittee, thank you for inviting me to come before you today and speak on a subject which has had a drastic effect on the Third District of North Carolina, which I represent.

Mr. Chairman, in your letter of invitation outlining the topics you wished to discuss at this afternoon's hearing, you stated that the hearing would focus on problems created for small businesses by the deployment of thousands of military troops and reservists around the country to Saudi Arabia. I would like to briefly address one particular aspect of this deployment. You have correctly pointed out that "In some locations, military bases are the foundation of the economy; when troops were deployed, businesses were threatened with economic failure."

Jacksonville, North Carolina, is just such a "location". Jacksonville is a town of 25,000 people and Onslow County has approx. 120,000. Camp LeJeune, the military base on which the community is dependent, has a population of about 45,000 troops. When the U.S. military was mobilized last August, 37,000 of these troops were deployed to the Persian Gulf. That's 37,000 men and women out of 45,000, Mr. Chairman, over 75%. The numbers are mind boggling.

Page 2

As we have proven decisively, our troops were extremely well prepared for the rigors of their assignment. Clearly, though, we did not prepare our military communities for battle. The mass departure of troops from Jacksonville, Havelock, Goldsboro, Fayetteville and other towns in North Carolina and across the nation has devastated local economies. Severe hardship and distress continue to bankrupt businesses and stretch social services beyond their ability to meet community needs. Ironically, the communities which have so faithfully supported our troops in peacetime have now become casualties of war.

- Federal, state and local government entities continue to work tirelessly to mitigate the adverse impact of the deployment. But our efforts are complicated by the lack of existing federal programs to provide assistance under current circumstances. Most federal economic aid programs were designed to ease the adverse economic impact of natural disasters, such as hurricanes, which are unforeseen and certainly unplanned. In contrast, the crisis we are facing now is a national security disaster, so to speak, in that it has resulted from actions planned and executed by the federal government in support of our national security objectives.

Ironically, while we have established federal programs to deal with unexpected natural disasters, no such program addresses the unexpected economic disaster caused by federal action. Our

Page 3

current experience shows that the potential for a community's complete economic devastation is equally as great when significant numbers of troops deploy as is the case when a hurricane blows ashore. If we have a commitment to help communities devastated by a storm, do we not have a greater obligation to help communities devastated by federal action?

I am, therefore, Mr. Chairman, seeking to change federal law to provide essential relief now, in the wake of Operations Desert Shield and Desert Storm. We need to also consider programs to provide relief in the future, when similar troop deployments occur, as surely they will. With the withdrawal of forward deployed forces from Europe and the Pacific, deployments will increasingly be the modus operandi of our military.

The House Small Business Committee has approved legislation I proposed which would provide disaster loan assistance to communities particularly hard-hit by the deployment of large numbers of military personnel. I am hopeful that the full House will take swift action on this bill, which has been introduced in the Senate by Senator Terry Sanford.

While I am gratified that the House Small Business Committee has taken the first step toward passing my legislation into law, I am apprehensive about a potential problem associated with its

Page 4

enactment, depending upon how the Bush Administration responds to its passage. Richard Darman, director of the Office of Management and Budget, has indicated that the need to provide disaster relief under my initiative is not directly related to Operation Desert Storm. This determination precludes the program's being funded with Operation Desert Storm emergency appropriations, and, of course, any separate appropriation will require reductions in existing Small Business programs, as dictated by the pay-as-you-go provisions of last year's deficit reduction package. The Desert Storm emergency funding is not limited by the budget summit agreement.

The ability to implement this program without triggering reductions in existing programs lies in Mr. Darman's hands. In this respect his final determination as to how to fund my disaster relief initiative will be a litmus test of the Administration's commitment to relieving the adverse impact the war in the Gulf has had on the economic health of businesses at home.

Referring to the war in the Gulf, President Bush has said "this war is now behind us." But though the battlefield now lies silent and our troops are beginning to come home, the war is not yet behind us. It is not yet behind those communities which have been economically devastated by the conflict. The troops are returning to battle-worn economies. Thus our efforts to respond to the needs of those communities must continue.

Page 5

The Bush Administration has performed magnificently in leading and supporting our active duty military personnel. They should now provide similar support to the business community which supports our troops in peacetime and which has suffered great consequences as a result of the war.

Thank you Mr. Chairman for the opportunity to appear before your Committee today. I look forward to further research and more detailed analysis from your subcommittee when better information on this topic becomes available. And with that, one final point, if I may, Mr. Chairman: Equally important to our responsibilities abroad must be our continued commitment to the establishment of regional security mechanisms on our own soil: protection for our own communities which, as we have seen, may also become casualties of war.

A16 WEDNESDAY, MARCH 13, 1991

The Washington Post

AN INDEPENDENT NEWSPAPER

"AND IN OUR HOPE CHEST—"



Statement of
The Honorable Carroll Hubbard
Before the Committee on Small Business
Subcommittee on Environment and Employment
U. S. House of Representatives

March 13, 1991

Mr. Chairman, members of the Subcommittee, I am pleased to appear before you today to address the effect that the deployment of active duty, reserve and national guard personnel to the Persian Gulf is having on small businesses in my district.

During the past several months small businesses at and near Ft. Campbell have been adversely impacted by the deployment of tens of thousands of military personnel to Saudi Arabia and the Persian Gulf Area. Fort Campbell is the home of the 101st Airborne Division, from which some 16,500 soldiers were deployed. There were also 2,500 Fort Campbell soldiers from the 101st support group (Corps) and another 1,500 Fort Campbell soldiers from the 5th Special Forces group sent to the Persian Gulf.

Yes, that's 20,500 Fort Campbell soldiers who have been in or are now in the Persian Gulf area during our operations there. Many of their families have left the area to be with their parents and relatives throughout the ordeal.

Needless to say, in the Fort Campbell area, where the military base is the foundation of the local economy, small businesses have been devastated from the sudden and unexpected loss of customers. Most notably, Oak Grove, and Hopkinsville, Kentucky, which are located in my Kentucky district, and Clarksville, Tennessee, three cities which rely heavily on business from the nearby base, have suffered greatly. Numerous businesses have gone bankrupt and many have closed or are facing financial ruin.

Among the small businessmen from whom I have heard are members of the service industries, such as barbers and mechanics; owners of fast food restaurants, pawn shops, retail shops and automobile dealerships; and representatives of the housing industry, including realtors and owners of rental property. In one instance, the owner of an apartment complex that serves military families reports that he currently has over 80 vacant apartments.

About 1,300 of the military personnel deployed from Fort Campbell have returned home at this point. Business owners in the area are desperately hoping that they will be able to hang on until all or most of the troops return and the situation is normalized.

The Fort Campbell area is not the only location where small businesses are facing extreme difficulties in the wake of the Persian Gulf call-up. There are another 4,000 Army Reserves and National Guard troops in Saudi Arabia who were mobilized at Fort Campbell. Among the 4,000 are 250 from the Army Reserves' 807th Hospital Unit in Paducah, Kentucky. While these numbers are not significant enough to have a harmful impact on the local

economy, many members of the reserve units are themselves owners of small businesses or are key employees or managers of small businesses. I have, in fact, heard from several wives and family members of small businessmen who are faced with running businesses in which they have no prior experience or knowledge. This, in addition to trying to cope with the absence of loved ones, is a matter of great personal turmoil. Certainly, something must be done to help these individuals keep their businesses afloat until their spouses return.

In conclusio, Mr. Chairman, you and your committee are to be commended for your efforts to exhaustively study the impact of the Persian Gulf deployment on small business and seek to resolve the resultant problems. Certainly the brave and patriotic men and women who are serving in the Persian Gulf region and those who depend on their business should not have to face financial ruin as a result of their service to their country.

Summary

The deployment of tens of thousands of military personnel from Fort Campbell, Kentucky, has had an extremely deleterious impact on small businesses in nearby communities. The sudden loss of business in an area that is heavily dependent on the military trade was particularly devastating in an economy already under serious strain.

Moreover, numerous small businesses throughout western Kentucky are owned and managed by reservists who have been called to duty and forced to leave their businesses in the hands of often inexperienced family members and employees.

It is vital that we uncover the true impact of the Persian Gulf deployment on small businesses and find an effective solution to the resultant problems. We are all aware that small businesses are the backbone of the American economy. When they are adversely impacted, the entire economy suffers. We cannot allow this to happen -- and we certainly cannot allow our brave and patriotic servicemen to be penalized for their service to their country.

THE HONORABLE MICHAEL BILIRAKIS
TESTIMONY BEFORE THE
SUBCOMMITTEE ON ENVIRONMENT AND EMPLOYMENT
MARCH 13, 1991

THANK YOU MR. CHAIRMAN. I APPRECIATE THE OPPORTUNITY TO TESTIFY BEFORE THE SUBCOMMITTEE ON ENVIRONMENT AND EMPLOYMENT ON THE EFFECT THE DEPLOYMENT OF ACTIVE DUTY, RESERVE, AND NATIONAL GUARD PERSONNEL TO THE PERSIAN GULF HAD ON SMALL BUSINESS. OVER THE LAST SEVEN MONTHS, WE HEARD MANY STORIES OF HOW THE FAMILIES OF OUR SERVICEMEMBERS WERE AFFECTED BY THE WAR, BUT THERE WAS VERY LITTLE COVERAGE OF THE HARDSHIPS SMALL BUSINESSES FACED WHEN THEIR EMPLOYEES WERE CALLED UP FOR ACTIVE DUTY. NOW THAT THE CONFLICT HAS ENDED, IT IS IMPORTANT FOR THE NATION TO SIT BACK AND ANALYZE THE FULL IMPACT OF THE WAR.

ACTIVE DUTY MEMBERS OF THE NATIONAL GUARD AND RESERVE ARE REQUIRED TO ATTEND ONE WEEKEND OF INACTIVE DUTY TRAINING MONTHLY AND FOURTEEN DAYS OF ACTIVE DUTY TRAINING ANNUALLY. ALTHOUGH RESERVISTS FREQUENTLY ARE CALLED "WEEKEND WARRIORS," IT IS IMPORTANT TO KEEP IN MIND THAT THEY ARE MEMBERS OF THE ARMED FORCES AT ALL TIMES, AND THEY MAY BE INVOLUNTARILY ACTIVATED IN TIMES OF EMERGENCY.

THE VAST MAJORITY OF GUARDSMEN AND RESERVISTS ARE ALSO EMPLOYED IN CIVILIAN OCCUPATIONS. THE TRAINING REQUIREMENTS AND THE POSSIBILITY OF BEING MOBILIZED FOR ACTIVE DUTY IMPOSES ACTUAL AND POTENTIAL COSTS ON THE EMPLOYERS OF RESERVISTS. UNFORTUNATELY, MANY EMPLOYERS REDUCE THESE COSTS BY DISCRIMINATING AGAINST MEMBERS OF THE NATIONAL GUARD AND RESERVE.

FROM AN EMPLOYER'S VIEWPOINT, EMPLOYEE ABSENCES CREATE PROBLEMS.

WORK MAY HAVE TO BE RESCHEDULED OR REDISTRIBUTED. DEADLINES MAY BE MISSED. SOLUTIONS RANGE FROM HIRING TEMPORARY HELP AND/OR SCHEDULING OVERTIME FOR OTHER EMPLOYEES. HOWEVER, MOST OPTIONS AVAILABLE TO AN EMPLOYER ELEVATE COSTS, REDUCE REVENUE, OR OTHERWISE AFFECT PROFITS. UNDERSTANDABLY, EMPLOYERS ARE LESS WILLING TO HIRE SOMEONE WHO REQUIRES SUBSTANTIAL PERIODS OF ABSENCE, NO MATTER WHAT THE REASON FOR THE ABSENCE IS.

THUS, EMPLOYERS SEEKING TO MINIMIZE COSTS ASSOCIATED WITH EMPLOYEE ABSENCES MIGHT BE INCLINED TO REDUCE RESERVE PARTICIPATION AMONG EMPLOYEES. THE SIXTH QUADRENNIAL REVIEW OF MILITARY COMPENSATION FOUND THAT DISCRIMINATION AGAINST RESERVISTS MAY TAKE MANY FORMS INCLUDING:

- DISCRIMINATION AT HIRING, WHERE QUALIFIED RESERVISTS MAY BE PASSED OVER FOR OTHER, PERHAPS LESS-QUALIFIED APPLICANTS.

- FAILURE TO KEEP THE RESERVIST'S JOB OPEN UNTIL RETURN FROM INITIAL FULL-TIME TRAINING.

- IMPOSING COSTS ON RESERVISTS DURING THE COURSE OF THE ENLISTMENT TERM: THESE COSTS COULD TAKE THE FORM OF FORCING THE RESERVIST TO USE VACATION TIME OR TAKE LEAVE WITHOUT PAY DURING ANNUAL SUMMER TRAINING, EXHIBITING AN UNWILLINGNESS TO ACCOMMODATE THE RESERVIST'S SCHEDULE, PASSING OVER THE RESERVIST FOR PROMOTIONS, SMALLER RAISES, ETC.

- CAUSING DIFFICULTIES AT THE TIME OF EXTENSIONS OR REENLISTMENT BY MAKING CLEAR THAT ANOTHER TERM OF SERVICE COULD SERIOUSLY JEOPARDIZE THE RESERVIST'S EMPLOYMENT OR CHANCES OF PROMOTION.

ALL THESE FORMS OF DISCRIMINATION POSE A SERIOUS THREAT TO THE ABILITY AND WILLINGNESS OF GUARDSMEN AND RESERVISTS TO PERFORM AND TO CONTINUE TO FULFILL THEIR MILITARY OBLIGATIONS.

ALTHOUGH EFFORTS ARE MADE TO REDUCE CONFLICT, COMPETING DEMANDS ON A RESERVIST'S TIME FROM THE MILITARY AND FROM A CIVILIAN EMPLOYER ARE UNAVOIDABLE. THESE CONFLICTS AND THEIR RESOLUTION ARE AMONG THE MOST IMPORTANT FACTORS INFLUENCING RESERVE RETENTION. IN FACT, THE SIXTH QUADRENNIAL REVIEW OF MILITARY COMPENSATION FOUND THAT CONFLICTS BETWEEN CIVILIAN EMPLOYMENT AND RESERVE COMPONENT MILITARY DUTY ACCOUNT FOR APPROXIMATELY ONE-THIRD OF ALL PERSONNEL LOSSES INCURRED BY THE NATIONAL GUARD AND RESERVE. THESE LOSSES INCREASE RECRUITING AND TRAINING COSTS AND REDUCE READINESS.

SINCE THE TWO PRIMARY DISINCENTIVES TO HIRING RESERVISTS ARE ADDITIONAL COST AND REDUCED PROFITS, THE SIXTH QUADRENNIAL REVIEW OF MILITARY COMPENSATION RECOMMENDED THAT AN OFFSETTING FINANCIAL INCENTIVE BE PROVIDED TO EMPLOYERS TO ALLEVIATE THESE COST CONSIDERATIONS. IN THE 101ST CONGRESS, I INTRODUCED LEGISLATION WHICH WOULD PROVIDE AN EMPLOYER WITH A NONREFUNDABLE TAX CREDIT, AND I RECENTLY REINTRODUCED THIS BILL IN THE 102ND CONGRESS. H.R. 1125 HAS BEEN REFERRED TO THE HOUSE COMMITTEE ON WAYS AND MEANS.

WHILE DRAFTING MY LEGISLATION, I DECIDED THAT TWO ISSUES NEEDED TO BE ADDRESSED. FIRST, DISCRIMINATION AGAINST PARTICIPATION IN THE RESERVES AND NATIONAL GUARD MUST BE ELIMINATED. H.R. 1125 PROVIDES EMPLOYERS A TAX CREDIT OF 10% OF THE RESERVIST'S SALARY FOR MILITARY LEAVE UNCOMPENSATED BY THE EMPLOYER. TAX INCENTIVES HAVE BEEN USED PREVIOUSLY TO ENCOURAGE EMPLOYMENT IN PARTICULAR

SEGMENTS OF THE CIVILIAN WORK FORCE AND I BELIEVE THEY WOULD BE EFFECTIVE MEANS OF OVERCOMING AN EMPLOYERS RELUCTANCE TO HIRE A RESERVIST OR NATIONAL GUARDSMEN.

A TAX CREDIT TO EMPLOYERS WOULD REDUCE THE COSTS ASSOCIATED WITH AN EMPLOYEE'S ABSENCE DUE TO PARTICIPATION IN THE NATIONAL GUARD AND RESERVE, THUS REDUCING THE DISINCENTIVE TO HIRE AND RETAIN RESERVE COMPONENT MEMBERS. A TAX CREDIT COULD LESSEN OR ELIMINATE THE REASON FOR DISCRIMINATION AND COULD POTENTIALLY DIMINISH THE IMPACT OF EMPLOYMENT CONFLICTS.

WITH REGARD TO THE SECOND ISSUE BEHIND H.R. 1125, I WAS PARTICULARLY CONCERNED WITH THE PAY POLICIES OF EMPLOYERS. PAY POLICIES REGARDING TIME OFF FOR MILITARY TRAINING VARY SUBSTANTIALLY. SOME CIVILIAN EMPLOYERS GRANT MILITARY LEAVE WITH FULL PAY AND BENEFITS. OTHER EMPLOYERS PERMIT MILITARY LEAVE AND PAY THE DIFFERENCE BETWEEN ANY MILITARY PAY RECEIVED DURING TRAINING AND FULL-TIME PAY NORMALLY RECEIVED. A LARGE MAJORITY OF PRIVATE EMPLOYERS CONSIDER TIME OFF FOR MILITARY TRAINING TO BE AN UNPAID LEAVE OF ABSENCE.

FURTHERMORE, AS THE PERSIAN GULF WAR DEMONSTRATES, RESERVISTS CALLED FOR ACTIVE DUTY MAY FACE SEVERE FINANCIAL HARDSHIPS BECAUSE OF A REDUCTION IN THEIR MONTHLY INCOMES. RECEIVING SOME FORM OF COMPENSATION FROM THEIR CIVILIAN EMPLOYERS WOULD HELP DEFRAY THE MONETARY BURDEN MOBILIZATION IMPOSES ON RESERVISTS AND THEIR FAMILIES.

H.R. 1125 PROVIDES EMPLOYERS WITH A TAX CREDIT OF 50% FOR ANY AMOUNT PAID BY THE EMPLOYER DURING THE MILITARY LEAVE OF THE RESERVIST EMPLOYEE. WHILE IT MAY BE IMPOSSIBLE FOR SMALL BUSINESS TO FULLY COMPENSATE A RESERVIST, ESPECIALLY DURING A LONG MILITARY CALL UP, I BELIEVE IT IS IMPORTANT TO ENCOURAGE EMPLOYER SUPPORT OF THE NATIONAL GUARD AND RESERVE. OBVIOUSLY, THE RETENTION OF SOME CIVILIAN PAY DURING PERIODS OF MILITARY TRAINING OR DUTY INCREASES A RESERVIST'S OVERALL SATISFACTION WITH PARTICIPATION IN THE RESERVE. AS A RESULT, THE GOVERNMENT RECEIVES AN INDIRECT BENEFIT, AND THE DIFFICULTIES THE NATIONAL GUARD AND RESERVE FACE IN THE RECRUITING AND RETENTION OF TOP QUALITY VOLUNTEERS WILL DECREASE.

I SHOULD NOTE THAT THERE IS A LIMIT ON THE AMOUNT OF BENEFIT AN EMPLOYER MAY RECEIVE UNDER MY BILL. IN ANY TAXABLE YEAR, AN EMPLOYER MAY RECEIVE A TAX CREDIT OF NO MORE THAN \$2,000 PER EMPLOYEE WHO PARTICIPATES IN THE NATIONAL RESERVE OR NATIONAL GUARD.

AS OPERATION DESERT STORM DEMONSTRATED, THE NATIONAL GUARD AND RESERVE ARE VITAL COMPONENTS OF OUR ARMED SERVICES. AS THE DEFENSE DEPARTMENT MAKES PREPARATION FOR A REDUCTION IN THE COUNTRY'S REGULAR FORCES THAT IS LIKELY TO OCCUR WITH THE END OF THE COLD WAR, THESE FACETS OF THE MILITARY WILL PLAY A SIGNIFICANT ROLE IN FUTURE CONFLICTS WHICH MAY ARISE. IT IS IMPORTANT THAT WE TAKE STEPS TO ENCOURAGE PARTICIPATION IN THE

RESERVES. ONE SMALL STEP IN THAT DIRECTION WOULD BE TO URGE EMPLOYERS TO SUPPORT THEIR EMPLOYEES WHO ARE ALSO MEMBERS OF THE NATIONAL GUARD AND RESERVE.

THIS CONCLUDES MY TESTIMONY. ONCE AGAIN, I WOULD LIKE TO THANK THE CHAIRMAN AND THE MEMBERS OF THE SUBCOMMITTEE FOR AFFORDING ME THE OPPORTUNITY TO TESTIFY HERE TODAY. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS MEMBERS MAY HAVE ON H.R. 1125.

REMARKS OF U.S. REP. LINDSAY THOMAS
BEFORE THE
SUBCOMMITTEE ON ENVIRONMENT AND EMPLOYMENT
MARCH 13, 1991

Mr. Chairman and members of the Subcommittee, I appreciate the opportunity to appear before you today on behalf of the small business owners in communities surrounding large military installations where troop deployments have virtually eliminated the customer base.

I want to thank the Subcommittee for focusing attention on this issue, and I am very grateful for full Committee support for the amendment offered by Congressman Lancaster to expand the eligibility for participation in the SBA disaster loan program to those businesses seriously impacted by the deployment of troops in Operation Desert Storm.

As most of you already know, I represent the First District of Georgia which includes the Ft. Stewart/Hunter Army Airfield complex--home of the 24th Infantry Division (Mechanized). The 24th is comprised of over 16,000 troops and was the first mechanized Division deployed to Saudi Arabia last August.

When you take away 16,000 soldiers in less than a week's time from the nearby town of 21,000 that is virtually dependent on that military customer base, you can easily understand the economic disruption that has resulted. Dozens of other, smaller communities in the area suffered a similar fate. The problem then worsened when as many as 25% of the military families also left the Ft. Stewart area following the deployment.

I fully realize that the SBA disaster loan program has only been made available to communities ravaged by the wrath of mother nature. But I can say to you that the devastation I have seen on many of the small businesses surrounding Ft. Stewart is just as real as if a south-Georgia tornado had swept through the town destroying everything in its path. The structures that house these businesses may still be standing, but the results have been the same-- they are closed for business, many of them never to reopen again.

What we have here is a very unique situation, Mr. Chairman, and it was one that we were ill-prepared for. Never in the history of our all-volunteer army have we deployed such a large number of troops for such an extended period of time. The city of Hinesville and the other small communities which surround Ft. Stewart have and will continue to support the troops of the 24th. They have joined together throughout the deployment to lend whatever assistance they could to the spouses and families of our troops left behind. I am very proud of them. But those who were doing the comforting were themselves soon the victims because many of the small business owners simply could not survive.

During the first month of deployment, apartment vacancy rates jumped from 4 percent to over 40 percent. During the same month, the local cable company lost 2,000 subscribers, the telephone company lost 600 residential customers, and the Georgia Power Company received 800 more than the usual number of requests for disconnection. Retail sales and the real estate industry have been especially hard hit. Local sales tax revenues are way down compared to the same time last year. This type of economic decline cannot be blamed on the recession.

The men and women who own and operate these stores and shops are not looking for a government hand-out. From the outset, my goal has been to seek the necessary statutory changes to make those small business owners eligible for existing loan and grant programs, similar to what we are doing through the SBA disaster loan program. My genuine fear is that as our troops start to come home from the Gulf, there will be very little for them to come home to.

I know that Mr. Darman has insisted that funding for these disaster loans is not directly related to Operation Desert Storm and, therefore, not eligible for monies through the Desert Storm supplemental appropriations bill. I also know that he has stated that an expanded definition of eligibility for participation in the disaster loan program constitutes a "new program," which is therefore "new spending" that requires corresponding cuts in conformance with last year's budget agreement.

I disagree on both counts. First, this is clearly related to Desert Storm. How can we provide money to nations in the Persian Gulf who suffered economic injury because of Desert Storm, and yet say no funding is available to help American communities who suffered very similar injury?

Second, why should we not simply make these military-impacted communities eligible to use the money already appropriated for disaster funding?

The deployment is a government-imposed disaster that is just as damaging as an earthquake or a drought. These businessmen and women had no control over the deployment, who was called to serve, or how long it would last. In the case of Ft. Stewart, with its rapid deployment capability, the troops of the 24th may no doubt be called on again to protect this great nation and the freedoms we hold dear.

I believe it is only fair that we show the civilian community the same level of support we have shown our troops throughout this crisis. If we do not, we will have a very difficult time in maintaining a stable civilian infrastructure to support those troops. The best businesses may feel they cannot make long-term investments in projects to support our troops.

Finally, let me again ask that we look at this issue in the context of aid we are providing to foreign nations in the Persian Gulf. When I was explaining to a constituent in Hinesville why money is so tight due to our deficit crisis, he had a question. He asked how we could find the money to help foreign nations in the Persian Gulf, but could not find the money to help Hinesville. Mr. Chairman, that's a good question, and I appreciate the leadership of your subcommittee in coming up with a good answer.

Thank you very much.

BERNIE SANDERS
VERMONT

Congress of the United States

House of Representatives

Washington, DC 20515

March 13, 1990

TESTIMONY OF REPRESENTATIVE BERNARD SANDERS (I-VT) BEFORE THE SUBCOMMITTEE ON ENVIRONMENT AND EMPLOYMENT OF THE COMMITTEE ON SMALL BUSINESS

I would like to begin by thanking Chairman Olin and the members of the subcommittee for allowing me this opportunity to testify on what I believe to be an extremely important issue. This issue is extremely relevant to Vermont because a high percentage of Vermont's work-force is either employed by small business or is self-employed.

Small family-owned businesses are the ones which are often hurt most by the disruptions caused by Reserve Component call-ups and the sending overseas of tens of thousands of active duty personnel. The latter is not a problem for Vermont as we have no large active duty facilities in our state. However, the mobilization of Guard and Reserve forces could cause serious disruption to our state's economy and to many of our workers. Vermont has traditionally been first or second in the nation in the per capita number of Guard and Reserve forces. The percentage of Vermonters in the Guard and Reserve is almost twice that of the national average.

Small businesses, in many cases, find it extremely difficult to adjust to the loss of a key worker. The call-up of a valuable employee can be devastating. Particularly in a rural area, a temporary replacement worker may be difficult, if not impossible to find.

Additionally, a state like Vermont is likely to see a situation in which a small business owner, a farmer, or a tradesperson is activated. For these people the call-up not only disrupts their family life but, in fact, can cause their business to slow dramatically or even cease to exist. Unlike the person who is employed by another and is guaranteed his or her position upon de-activation, the damage done to a small business or farm while the proprietor is away can affect his or her ability to make a living for years to come.

Mr. Chairman, let me briefly relay to you some information that my staff received from a Reservist from Bennington County, Vermont. This individual was activated for Desert Storm to a base in Kentucky. His profession is that of being a self-employed

carpenter. As a result of his being called-up, he had two roofing contracts that he had to abandon. He worries that he may lose his business completely as the contracts he lined up go to his competitors in his absence. This carpenter told my staff that he grosses about \$700 a week from his carpentry work, but that the army pays him less than half that (\$1300/month, or \$302/week). While he is in the army, he still has to make the payments on his truck, his tools, and his other equipment.

These are some of the factors which influenced me to introduce H.R. 695, a bill to compensate activated Reserve and Guard forces for income lost due to call-up, up to a maximum civilian income level of \$40,000. This measure, which would cost between \$50 million and \$65 million, is a comprehensive way to deal with this problem. This bill currently has 28 co-sponsors.

H.R. 695 would assist small retail businesses by permitting many Guard and Reserve families to maintain their normal spending patterns throughout the call-up period. This bill would also guarantee that families of small business people or independent tradespeople have some income security despite an almost certain weakening of their businesses. Finally, H.R. 695 would relieve those small business people who have felt it necessary to make up lost income experienced by their employees due to the call-up. This very decent and patriotic act is simply financially impossible for many but, for those that do make these contributions, it only compounds the already serious problems of their small business.

While it is true the war in the Persian Gulf is winding down and many of our Guard and Reserve forces will soon be returning home to their jobs and small businesses, the financial impact of this war on many of these families and small businesses will remain. I hope that this subcommittee will recommend strong action, including the passage of H.R. 695, to alleviate some of this burden.

As we enter an era where our reliance on the Reserve Component of our Armed Forces is almost certain to increase and with it the likelihood that any future U.S. military action will involve larger and larger numbers of Guard and Reserve troops, I feel it is imperative that we develop policies which reflect this reality.

The tradition of the Citizen/Soldier is strong in Vermont and enjoys the support of the vast majority of Vermonters. We, as a Congress, must ensure that this support continues by promoting measures which lessen the negative impact on small business. We must make it possible for small business owners, independent tradespeople and farmers, who are often the most active people in small towns and rural communities, to continue their service to their country through membership in the Reserves and the National Guard.

The New York Times

Founded in 1851

ADOLPH S. OCHS, *Publisher 1896-1935*
 ARTHUR HAYS SULZBERGER, *Publisher 1935-1961*
 ORVILLE DRYFOOS, *Publisher 1961-1963*

ARTHUR OCHS SULZBERGER, *Publisher*
 ARTHUR OCHS SULZBERGER JR., *Deputy Publisher*

MAX FRANKEL, *Executive Editor*
 JOSEPH LELYVELD, *Managing Editor*
 WARREN HOGE, *Assistant Managing Editor*
 DAVID R. JONES, *Assistant Managing Editor*
 CAROLYN IEE, *Assistant Managing Editor*
 JOHN M. LEE, *Assistant Managing Editor*
 ALLAN M. SIEGAL, *Assistant Managing Editor*

JACK ROSENTHAL, *Editorial Page Editor*
 PHILIP M. BOFFEY, *Deputy Editorial Page Editor*

LANCE R. PRIMIS, *President*
 RUSSELL T. LEWIS, *Sr. VP, Production*
 ERICH G. LINKER JR., *Sr. VP, Advertising*
 JOHN M. OBRIEN, *Sr. VP, Finance/Human Resources*
 WILLIAM L. POLLAK, *Sr. VP, Circulation*
 ELISE J. ROSS, *Sr. VP, Systems*
 JAMES A. CUTIE, *VP, Marketing*

Why Punish Reservists' Families?

Operation Desert Sword has exposed an embarrassingly outdated support system for families of reservists and National Guard members suddenly called to active duty. There is hardship enough in sending them off to war, perhaps never to return. To add financial distress is inexcusable.

Federal laws do provide substantial protection. (Some state laws provide more.) They guarantee re-employment when the war is over. Pay for enlisted men in a combat zone is tax-exempt, and partially so for officers. Military health benefits cover all dependents. Interest rates on mortgages and credit-card and personal loans are capped at 6 percent for the duration of service.

But this safety net has many holes. Reservists' families don't get dental care under the military health plan. Students called to active duty are dunned for repayment of student loans if they don't notify the lender in time. Discharged servicemen are eligible for 13 weeks of unemployment insurance benefits; civilians get 26 weeks. And service families are protected against eviction only if their rent is less than \$150 a month. Congress is about to raise it to \$1,200, but its failure to act sooner shows gross neglect.

Representative G. V. Montgomery of Mississippi, chairman of the Veterans Affairs Committee, has taken the lead in rectification. His bill would, among other things, upgrade unemployment benefits, defer repayment of student loans when students leave for military duty and generally improve veterans' benefits.

One worthy provision would revise military life insurance, linking benefits to age instead of rank. But, like the unemployment insurance proposal, this one is headed for the budget buzz saw. The budget law puts no ceiling on Persian Gulf war spending, but any new legislation that applies to all servicemen — not just to those in Operation Desert Sword

— may be counted in the Pentagon's regular budget, and the cost would have to be offset by other cuts. Hopefully, such strictures won't block humane reform.

Representative Bernard Sanders, the Vermont independent, raises the most difficult question of all: How do families cope when their income is suddenly cut to military pay? He wants the Government to make up the difference, up to \$40,000.

That may seem generous, but high-earners, with bigger homes and bills, often have bigger money problems when they are called up. The Sanders plan for reservists sounds fair, and would cost only \$11.4 million a month, but it has one glaring flaw. It would shortchange full-timers on regular military pay, and there is no equitable way to even out the difference.

Large companies commonly make up their employees' wage and salary losses, and some provide family counseling too. Smaller firms often can't afford to do anything. Senator Edward Kennedy proposes \$50 million for counseling and child care. Meanwhile, private and nonprofit organizations like the Red Cross are offering assistance. In New York City, Consumer Advocates, a fuel cooperative, has arranged with local oil companies to supply heating oil free or at a discount to families who have lost income.

Even so, some reservists' families are forced onto welfare — a scandalous humiliation for the wives and children of men risking their lives in service. The reserves and National Guard are essential to the gulf war, and their importance will grow in the post-cold-war years. Their personal concerns deserve better than they have gotten so far.

ADDENDUM TO TESTIMONY BY REPRESENTATIVE SANDERS

Relative Size of Guard and Reserve Participation

	United States	Vermont
# in Guard and Reserve	1,577,959	6,016
% of population(approx.)	.6%	1.1%

Vermont's Dependence on Small Business

	United States	Vermont
% of firms employing 50 or more	5%	3%

CRS is the source of all data.

STATEMENT OF CONGRESSMAN
OWEN PICKETT
BEFORE THE HOUSE SMALL BUSINESS
SUBCOMMITTEE ON ENVIRONMENT AND EMPLOYMENT
MARCH 13, 1991

Chairman Olin and members of the Subcommittee, I appreciate this opportunity to testify about Operation Desert Storm and its effects on the small business community in my congressional district.

Over the past six months, Americans everywhere have given much attention to events in the Persian Gulf. Our concern as a nation has been for the safety of our troops, and for a quick and favorable end to the war. I think all of us share a common pride that America's uniformed men and women achieved these objectives in such a quick and decisive way.

With the war at an end, Americans are beginning to realize the profound impact that Operation Desert Storm had on many businesses here at home. In my district, which comprises the Cities of Norfolk and Virginia Beach, this impact has been particularly profound.

Norfolk is home to the largest naval base in the world. Forty-one of the ships that participated in the war came from the Norfolk Naval Base. Virginia Beach, the other city in my district, is home to the Oceana Naval Air Station, the Little Creek Naval Amphibious Base, Dam Neck Fleet Combat Training Center and the Army Transportation Unit at Fort Story.

When the Operation Desert Storm deployment was complete, some 42,000 troops had left our area. To give you just one indication of how this deployment disrupted our economy, Mr. Chairman, it is helpful to remember the John F. Kennedy alone carries with it a monthly payroll of \$3.2 million a month.

Over the course of the entire deployment, the local soldiers, sailors, and marines of Operation Desert Storm earned well over \$100 million in pay.

Some of this money came back to our economy in monthly allotment checks, but when the deployment began in August, we witnessed another economic phenomenon: the remaining members of these military families, whose connection with our area was a tenuous one, left Hampton Roads to return to the home of their families in other parts of the country. Normal deployments have not resulted in this added impact of families leaving the area.

Something else was also at work in the economy of Hampton Roads. Concern about the personal safety of deployed military members caused the drop in consumer confidence in the Hampton Roads area to develop quicker and plummet further than in other parts of the country.

Thus, almost overnight, we saw an estimated 50,000 residents leave -- either for the Persian Gulf or other parts of our country.

We saw a drop in consumer confidence that was sooner and more pronounced than in the rest of the country. We saw thousands of residents called up for reserve duty in the Gulf. And we saw many businesses suffer the loss of numerous part-time employees who were either in the military or related to someone who was.

Virtually every sector of our economy has been adversely by war, but the effects have probably been most severe in housing, retailing, and the basic service industries.

With respect to retailing, officials of the Hampton Roads Planning District Commission project that retail sales will be off by a seasonally-adjusted \$64 million from the start of Operation Desert Storm in August until the present time. Not included in this figure, of course, are automobile sales. Automobile dealers and salesman throughout my district have told me that their sales are down by an average of 50% over a comparable period in 1990.

Not surprisingly, retail sales for big-ticket durable items have been hit the hardest since such purchases usually require decisions by both spouses, and that decision was obviously put off.

The impact on the housing market was dramatic. Open the newspaper on any day and one would find page after page of legal notices of mortgage foreclosures. Housing sales were down in the last quarter of 1990 by 25% when measured against the last quarter in 1989.

I would also note, Mr. Chairman, that uncertainty about the economic future of communities with a large military presence has prompted the Federal National Mortgage Association to impose more strict underwriting standards on the financing of multi-family housing projects.

The housing rental market, which depends heavily on young military families, was hard hit by the military deployment and family flight. One apartment owner in the Ocean View section of Norfolk lost approximately one-third of his tenants during a three week period in September. Today, he has 205 vacancies out of approximately 800 units. This same businessman also owns a major automotive service, and receipts are down by 50% from last year.

Similar business shocks have occurred throughout our area and have plagued every sector of the economy.

Mr. Chairman, I think you can see from this brief testimony what an enormous loss our regional economy has suffered as a result of the war effort. As the figures from late 1990 and the first part of this year become available, the true extent of the damage will become more clear, but for now, every indication points to severe problems.

We hope and expect to rebound fully, particularly as our troops return home, and I am happy to inform you that this has begun. But in the interim, Mr. Chairman, our businesses need help, and I would hope that any remedial legislation considered by this Committee would include assistance for our business community in Southeastern Virginia.

Again, I want to thank you, Mr. Chairman, for holding these

most important hearings. As I think you understand very well, it is imperative that our legitimate focus on peace in the Middle East and helping our friends there not obscure the very real problems that this war has caused for small businesses here at home.

Thank you.

Statement of Congressman Frank McCloskey

March 12, 1991

LAST MONTH, I SPOKE ON THE HOUSE FLOOR ABOUT FIVE SOUTHWESTERN INDIANA COMPANIES WHICH HAVE DEMONSTRATED EXEMPLARY LEADERSHIP AND COMPASSION IN MAKING SIGNIFICANT EXPENDITURES FOR PAY AND BENEFITS TO THEIR EMPLOYEES ENGAGED IN DESERT STORM.

WHEN RESERVISTS WERE CALLED TO DUTY, THESE COMPANIES, WHIRLPOOL CORPORATION, BRISTOL-MYERS SQUIBB, AND BERRY PLASTICS, INC. IN EVANSVILLE, ALCOA WARRICK OPERATIONS IN NEWBURGH, AND NORTH AMERICAN PRODUCTS IN JASPER, RESPONDED IN VARYING DEGREES, FROM PAYMENT OF THE DIFFERENCE BETWEEN CIVILIAN AND MILITARY SALARIES, TO PROVIDING A LUMP CASH SUM IN LIEU OF SALARY WHILE THE EMPLOYEES ARE DEPLOYED, TO CONTINUING MEDICAL AND OTHER BENEFITS.

THESE ACTIONS GREATLY ASSIST RESERVISTS AND THEIR FAMILIES AND SHOULD BE ENCOURAGED. I HAVE CONTACTED THE PRESIDENT AND THE SECRETARY OF DEFENSE TO URGE THEM TO OFFICIALLY RECOGNIZE AND COMMEND THESE ACTIONS. I HAVE ALSO INFORMED THE SECRETARY THAT I WOULD BE PLEASED TO INFORM HIM OF SIMILAR EFFORTS BY COMPANIES IN MY COLLEAGUES' DISTRICTS SO THAT THEY MAY ALSO BE ACKNOWLEDGED.

ALTHOUGH FOUR OF THOSE FIVE COMPANIES ARE LARGE COMPANIES, I HAVE ALSO MONITORED CLOSELY THE ACTIVITIES OF SMALL BUSINESS DURING THIS TIME AND THE EFFECT THAT WAR HAS HAD ON THEM

ON MONDAY, I SPOKE BEFORE MORE THAN ONE HUNDRED SMALL BUSINESSMEN AND WOMEN AT AN INDIANA STATEWIDE FEDERAL CONTRACTING

CONFERENCE. I ASKED THOSE PRESENT TO RESPOND TO A SIMPLE QUESTIONNAIRE ON THE IMPACT DESERT STORM/SHIELD HAS HAD ON THEIR BUSINESS.

OVER HALF OF THOSE WHO RESPONDED INDICATED THAT THEY HAD HAD EMPLOYEES OR THEIR IMMEDIATE FAMILIES CALLED TO ACTIVE DUTY. ONLY ONE COMPANY INDICATED THAT THEY HAD A NEGATIVE IMPACT ON THEIR COMPANY DUE TO RESERVISTS BEING CALLED TO ACTIVE DUTY. ONLY ONE REPORTED THAT A DISRUPTION IN THE WORKFORCE AFFECTED THE ABILITY OF THE COMPANY TO COMPETE IN THE MARKET PLACE. OF THE 37 BUSINESSES WHICH HAD EMPLOYEES CALLED TO ACTIVE DUTY, 14 PROVIDED SALARY SUPPORT AND TEN PROVIDED FRINGE BENEFITS TO EMPLOYEES WHO WERE DEPLOYED.

AS THIS COMMITTEE KNOWS, THIS EMPLOYER SUPPORT IS TOTALLY VOLUNTARY. THIS PATRIOTIC GESTURE NOT ONLY SHOWS CLEAR AND CONVINCING SUPPORT FOR OUR TROOPS, BUT ALSO HAS AN IMMEDIATE BENEFICIAL IMPACT ON FAMILIES AND LOVED ONES WHO REMAINED AT HOME.

THIRTY THREE COMPANIES ACTIVELY PURSUED MILITARY CONTRACTS DURING THIS TIME AND 27 WERE SUCCESSFUL. IN TOTAL, 39 COMPANIES RECEIVED AN INCREASE IN DEFENSE BUSINESS. IN SUM, 34 COMPANIES BELIEVE THAT DESERT SHIELD/STORM HAS HAD A POSITIVE IMPACT, WHILE ONLY SEVEN BELIEVE THE IMPACT HAS BEEN NEGATIVE. 46 BELIEVE THAT THE LONG-TERM IMPACT WILL BE POSITIVE WHILE ONLY 5 BELIEVE THE IMPACT WILL BE NEGATIVE. 45 ARE PURSUING KUWAITI RECONSTRUCTION CONTRACTS.

A REAL CONCERN NOW IS THAT THE DESERT STORM CONTRACTS WILL

NOW BE TERMINATED AS THE DEMAND AND NEED FOR THESE CONTRACTS DECREASES. AN INDUSTRY IN WHICH THIS IS A SPECIAL CONCERN IS MEALS READY TO EAT (M.R.E.) MANUFACTURING INDUSTRY. I RECENTLY RECEIVED A LETTER FROM SHELF STABLE FOODS, A SMALL BUSINESS LOCATED IN EVANSVILLE INDIANA. ANOTHER SMALL BUSINESS IN EVANSVILLE WHICH MANUFACTURES M.R.E.S AND HAS SERIOUS CONCERNS ABOUT POSSIBLE CONTRACT TERMINATIONS IS AMERIQUEAL.

FROM OCTOBER TO FEBRUARY, SHELF STABLE RESPONDED TO THE NEED FOR GREATER RATIONS TO SUPPORT OUR TROOPS IN THE GULF AND PRODUCED 14,645,616 RETORT POUCHES. NOW THAT MILITARY OPERATIONS ARE OVER AND THE TROOPS ARE COMING HOME, THE PENTAGON IS SEEKING TO REDUCE UPCOMING M.R.E. PURCHASES BY 80 PERCENT. THIS COULD MEAN MORE THAN 305 LAYOFFS AT SHELF STABLE ALONE AND COULD CAUSE SEVERAL OF THE FIRMS IN THIS SMALL INDUSTRY TO GO BANKRUPT, THEREBY THREATENING THE STABILITY OF THIS INDUSTRY.

IF THE MILITARY BUILD DOWN AND THE TERMINATION FOR CONVENIENCE OF DESERT STORM CONTRACTS RESULT IN THE LOSS OF SEVERAL OF THESE FIRMS, THE UNITED STATES MAY NOT HAVE THE CAPABILITY TO PROVIDE SUFFICIENT RATIONS TO SUPPORT FUTURE EMERGENCY TROOP DEPLOYMENTS. I HAVE BEEN WORKING WITH THE HOUSE ARMED SERVICES COMMITTEE ON THIS MATTER AND WOULD ALSO APPRECIATE THE SUPPORT OF THIS COMMITTEE.

THERE ARE TWO OTHER IMPACTS OF OPERATION DESERT STORM THAT I WISH TO BRIEFLY DISCUSS. ALTHOUGH THE OVERWHELMING MAJORITY OF SMALL BUSINESSES IN INDIANA WHICH I HAVE CONTACTED HAVE INDICATED POSITIVE IMPACTS FROM DESERT STORM, THERE HAVE BEEN NEGATIVE

IMPACTS.

ONE SERIOUS NEGATIVE IMPACT HAS BEEN ON MEDICAL SERVICES IN SMALL COMMUNITIES. AT LEAST TWENTY MEDICAL PERSONNEL IN SOUTHERN INDIANA WERE CALLED TO ACTIVE DUTY. ALTHOUGH SOME OF THESE INDIVIDUALS WERE IN URBAN AREAS IN WHICH ADEQUATE MEDICAL ALTERNATIVES WERE PRESENT, SMALL RURAL COMMUNITIES, WHICH OFTEN HAVE ACCESS TO ONLY ONE OR TWO MEDICAL FACILITIES, ARE PLACED UNDER SEVERE STRAIN. ALTHOUGH THERE APPEARS TO HAVE BEEN NO COMPLETE DISRUPTION OF MEDICAL SERVICE IN ANY SOUTHERN INDIANA COMMUNITY, MY OFFICE WAS CONTACTED BY AT LEAST ONE SOUTHERN INDIANA COMMUNITY, SALEM, INDIANA, WHICH WAS FORCED TO ENTER INTO A CONTRACT WITH A DOCTOR FROM LOUISVILLE, KENTUCKY, OVER 30 MILES AWAY.

THE FINAL ISSUE THAT HAS RECENTLY COME TO MY ATTENTION IS THAT RESERVISTS, INCLUDING INACTIVE RESERVISTS, WHO WERE CALLED TO ACTIVE DUTY IN SUPPORT OF OPERATION DESERT SHIELD HAVE BEEN GIVEN NO INFORMATION THUS FAR AS TO WHEN THEY WILL BE ABLE TO RETURN HOME. MANY OF THOSE CALLED UP ARE SMALL BUSINESSMEN AND HAVE OBLIGATIONS TO WHICH THEY MUST RETURN. MY DISTRICT OFFICES HAVE BEEN RECEIVING TELEPHONE CALLS FROM CONCERNED FAMILY MEMBERS WHO WANT THEIR LOVED ONES HOME. OTHERS HAVE INDICATED THAT THE FAMILIES HAVE BEEN UNDER FINANCIAL STRAIN AND ARE ANXIOUSLY AWAITING THE RETURN OF THE PRIMARY WAGE EARNER.

SINCE LAST FALL, I HAVE HAD A TEMPORARY EMPLOYEE, KEVIN MCCRAY, WHO WAS FORMERLY A GREEN BERET AND NOW IS IN THE RESERVES. HE CALLED MY OFFICES ON MONDAY TO SAY THAT THERE IS

SERIOUS CONCERN AMONG MEMBERS OF HIS UNIT, WHICH IS PART OF THE TWENTIETH GROUP. APPARENTLY THEY HAVE BEEN STATIONED AT FORT BRAGG SINCE THEY WERE CALLED TO ACTIVE DUTY. NOW THAT THEY APPARENTLY WILL NOT BE SENT INTO THE THEATER, THEY ARE ASKING WHEN THEY WILL BE ALLOWED TO RETURN TO THEIR HOMES AND THEIR JOBS. THE ANSWER HAS BEEN, "BY SEPTEMBER."

CLEAR INDICATIONS OF WHEN RESERVISTS WILL BE DEACTIVATED ARE NEEDED, EVEN IF THE INDICATION IS "WEEKS, RATHER THAN MONTHS," OR "MONTHS, RATHER THAN WEEKS."

I APPRECIATE THE OPPORTUNITY TO TESTIFY TODAY. MOST SMALL BUSINESSES HAVE HAD FAVORABLE IMPACTS FROM OPERATIONS DESERT STORM AND DESERT SHIELD, HOWEVER SOME PROBLEMS HAVE OCCURRED. I HOPE TO WORK WITH MY COLLEAGUES IN THE COMING MONTHS TO FULLY ADDRESS ANY ADVERSE IMPACTS ON SMALL BUSINESS WHICH HAVE OCCURRED, OR WILL OCCUR.

STATEMENT BY
CONGRESSMAN JOHN M. SPRATT, JR.
BEFORE THE
COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON ENVIRONMENT AND EMPLOYMENT
HOUSE OF REPRESENTATIVES
FIRST SESSION, 102ND CONGRESS
13 MARCH 1991

Mr. Chairman, thank you for the opportunity to speak about H.R. 1085.

This bill is intended to help the significant numbers of reservists who own and manage small businesses or small farms, and who are unable to tend to these businesses when they are called up to service for six months or more. Eleven percent of enlisted reservists own small businesses, as do thirteen percent of reserve officers. Two hundred and seven thousand reservists were called to active service during Desert Shield/Desert Storm. This works out to 23,500 activated reservists who own small businesses.

The affected businesses are located across this country. The problem has become so widespread that the Small Business Administration is setting up special counseling programs to assist families who are trying to sustain their sole source of income. For example, in Fayetteville, North Carolina the Small Business Administration, in partnership with the Chamber of Commerce and the BellSouth Corporation, has set up a half day program offering instruction in the control of expenses and working capital. I commend the Small Business Administration for using its available tools to help these families, but there are many families who need more substantial assistance. An example is Mrs. Linda Stake who has been operating the family's two ice

companies in Stone County, Arkansas. Her husband was called to active duty in December 1990. One of Linda's ice machines is not working and is leaking freon. This amendment would allow her to borrow the \$7,000 that she needs to repair or replace the machinery.

Credit is not often obtainable to families who need to sustain their small business during the absence of the its key owner and manager. An example is a Certified Public Accountant in Erie, Pennsylvania. This gentleman is an independent tax consultant who was activated in October 1990. He is still overseas and is unable to complete tax work for his customers.

The difficulties being experienced by these reservists who need to preserve their major source of income are being felt throughout our country. These small businesses owned by reservists are being forced to lay off workers or to close down entirely. A contractor in Johnstown, Pennsylvania with seven employees obtained a \$250,000,000 loan for equipment and material prior to his activation. He is now unable to fulfill his contract. A woman in Charleston, South Carolina approached the Small Business Administration for assistance when her husband, the owner and manager of a small manufacturing business, was activated and left her with sole responsibility for the business.

These reservists are supporting their community with the services offered by their small business and supporting their country through service in the Reserves. Mrs. Nancy Rader, eight months pregnant and with two children, was left behind to care for a 900-acre homestead and 35 breeding sheep when her husband, Gary, was activated in September 1990.

Senator Dale Bumpers has introduced the Military Reservists Small Business Relief Act, S. 360. This bill has been marked up in the Senate Small Business Committee and contains the following provisions. The bill applies to any business whose owner, manager, or key employee has been called to active service. It provides a moratorium on repayment of any SBA direct loan. During the period of abatement, interest will not accrue and no payment will be required until six months after the reservist is released from active duty. The bill calls for direct loans for interim operating capital while the primary owner or manager is called away. It defines a small business concern to include the lease or rental of real or personal property. It is contingent upon the military reservist being a key employee or manager responsible for daily business operations, or an owner having a 20% or greater ownership interest. It specifies a loan interest rate of 4% per annum. It limits the money available to the borrower to \$500,000. Senator Bumpers' bill also provides for SBA counseling and training to the businesses affected.

My bill, though identical in its intent to aid reservists with small businesses, differs in its requirements. Reservists must own at least 51% of the business and manage it on a daily basis. There is no interest rate specified and the amount of money available is limited to \$100,000. In these aspects it is more restrictive than S. 360.

We need to formulate a program of assistance for these reservists who play such a vital role in defense of our country. Over half the total Army's combat forces and two-thirds of its aggregate combat support and combat service support are in the U.S. Army Reserve and Guard. The Reserve fleet logistic support squadrons provide nearly all of the Navy's organic airlift in the Continental United States as well as substantial support overseas. The U.S. Marine Corps Reserves constitutes a full 25% of the Marine Corps force structure and 33% of the trained manpower. The Air Force obtains 50% of its Strategic Airlift crews and 24% of its Tactical Airlift crews from the Reserve. Those reservists who are serving in logistics and transportation functions were among the first called up and will be among the last to leave.

H.R. 1085 will help save small businesses all over America, and help a class of borrowers who are specially deserving because

of the service they render our country. I am pleased that the committee has seen fit to report this bill, and I appreciate the opportunity to testify in support of it.

Summary

- Eleven percent of enlisted reservists own small businesses

-Thirteen percent of reserve officers own small businesses

-Credit is not often obtainable to families who need to sustain small businesses during the absence of its key owner and manager

-H.R. 1085 establishes program for small business disaster loans to reservists who are activated for a six month period

-Loan contingent upon the following:

-reservist owns 51% of company and manages it on a daily basis

-reservist called up for six months or more

-reservist unable to obtain credit elsewhere

-loan amount limited to \$100,000

-SBA authorizes direct loan or guaranteed loan

-S. 360, introduced by Senator Bumpers, provides disaster relief to reservists who own small businesses, but establishes less rigid contingencies

COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON ENVIRONMENT AND EMPLOYMENT

Testimony of:

Major General Donald Edwards
Adjutant General of the State of Vermont

March 13, 1991

Thank you for the invitation to testify before Congress.

Vermont has had over 400 National Guard men and women mobilized for Operation Desert Shield/Storm and approximately 150 Reservists mobilized. I believe the best way to communicate what that has meant to small business is to describe some specific situations our soldiers and thier families have faced. My efforts to aid our people and their families have made me aware of dozens of problems and how our Vermonters are struggling to survive economically.

SGT Larry McCormack and his father Rus have a small business in Springfield, Vermont: McCormack Place of Color. Until November Larry did floor coverings and Rus did painting and wall coverings. Now Rus tries to do it all so there will be a business for Larry to come back to. They have lost 6 (six) big jobs that Rus just could not do and could not make a profit sub-contracting. Rus is a Post WWII veteran and says he is trying to do his part and consider it a war contribution. But even when he works week after week without time off and he works sick he wonders if he can hold on till his son gets back.

Captain Jim Belaski is a Civil Engineer who had his own firm and followed his fathers tradition in joining his home town guard unit. His father, Major Belaski also commanded a unit and is now a resident member of the Vermont Veterans Home. Jim not only had to say good-bye to his wife and father before taking the unit to Saudi Arabia but he had to say good bye to his customers. His engineering firm had no other employees so he had to cancel all his contracts. Will his customers be there when he returns?

SGT Brian L. Lafave has a building cleaning company that his wife is operating. Pam Lafave is hiring people to help who are making more per hour than she does on her own job or from the cleaning business. She is loosing money and accepting help to keep from losing her house trailer.

M/Sgt Richard Somerset had an office consulting company. As a sole employee and sole proprietor he had problems. The economic situation was slowing business. Mobilization was just too much. Richard closed his business and hopes for better things after the war.

We know of 14 other small firms with similar situations because they were mobilized with the Vermont Army and Vermont Air National Guard. I would believe there are more similar problems that have not yet been brought to our attention.

Anything you can do to assist our business people when they are demobilized would be wonderful and appropriate. Several families I have talked with were not even aware of Government programs that could assist them.

Again thank you for this opportunity to testify.

Statement of
Major David A. Lough, USAFR
for the
Subcommittee on Environment and Employment
Committee on Small Business
United States House of Representatives
Concerning the Impact of Reserve Components' Call-up
on Small Business--13 March 1991

Statement of Major David A. Lough, USAFR, before the Subcommittee on Environment and Employment of the House Small Business Committee regarding the impact of being called to active military duty on my real estate business--13 March 1991.

Mr. Chairman and Members of the Subcommittee:

Because I represent a number of Reservists who own or manage small businesses which have been negatively impacted by the call to active military duty, I am grateful for this opportunity to make you aware of my experience. Additionally, I appreciate the subcommittee's concern for the small businessmen who have been financially injured by the call to active duty.

I am Maj. David Lough and am assigned to the 756 Military Airlift Squadron (AF Reserve), Andrews Air Force Base. I am a command pilot and fly C-141 transport aircraft. As a civilian, I am a real estate broker and co-owner of ERA Colonial Realty in Fredericksburg, Virginia. I was recalled to active duty on the 24th of August, 1990, and have been on active duty ever since, participating in Operation DESERT SHIELD and now DESERT STORM. Prior to the 24th of August, I volunteered and flew several of the initial airlift missions to Saudi Arabia.

Prior to my being called up for active duty, my partner and I had two real estate offices and 28 real estate agents working for us. I was the principle broker for the firm and managing broker of one of the offices. Additionally, I was primarily responsible for the company's administration and advertising.

Initially I was called up for active duty for a period of 90 days. When the 90 day period was extended, my partner and I made

the decision that we would close one of the real estate offices. The Virginia Real Estate Commission requires that a supervising broker be present at each real estate office. Due to my extended period of absence it was impossible for us to meet that Real Estate Commission requirement, and therefore, it was necessary to close one of the offices. Even though the office was closed, we were still bound by our lease and had to pay rent on the empty office.

The company has suffered immensely since my being called up for active duty. My partner, in addition to her own responsibilities, has had to assume my areas of business responsibility, thus resulting in an enormous burden on her. Our staff has decreased from 28 real estate agents to its present level of 13 agents. As a result of these decreases, the company's production is off tremendously from last year. While we would concede that the real estate business has suffered greatly as a result of the economic downturn, my partner and I strongly believe that my absence has contributed greatly to the decrease in agents and production, and thus to our substantial financial losses.

In addition to the partnership loss that I have recounted, I have, in my absence, been unable to pursue real estate transactions and redevelopment in which I would otherwise have been personally involved. My loss of income and my potential income loss, due largely to my status as a Reservist on active duty, has left me without the significant amounts of capital required or the needed borrowing ability to buy and redevelop real estate as I otherwise would. A low-cost small business loan with simplified application

would be extremely helpful in enabling me to rebuild my real estate business.

Unless something is done to protect or provide some relief to Reservists who, like myself, own or manage small businesses, some will, in the months ahead, be forced give serious consideration to whether or not they can afford to continue their affiliation with the reserve components. The availability of low-cost small business loans that "cut through the red tape" for Reservists who are small business entrepreneurs would make Reserve duty more affordable.

Thank you for considering the needs of members of the Guard and Reserve and for providing me this opportunity to relate my experiences. I hope I have in this small way contributed to a better understanding of Reservists who own or manage small businesses and who have suffered financially as a result of being called to active military service. I will be happy to answer any questions that you might have.

TESTIMONY

United States House of Representatives
Committee on Small Business
Committee on Environment and Employment

Mr. Charles A. Henderson
Business Manager
Kentucky News Era
Hopkinsville, Kentucky

I have been invited to appear before your committee to expound upon the financial trauma that permeates communities who support the military installations in this country. Our community Fort Campbell, Kentucky, home of the 101st Airborne Division and the world's only Air Assault Division -- a post with an active duty military population of 21,166 -- 29,854 dependents and an annual payroll of 640 million dollars. 27,584 or 53% live in our tri-cities of Hopkinsville, Kentucky -- Clarksville, Tennessee -- Oak Grove, Kentucky -- Our communities provide this 27,584 -- public schools, apartments, houses and groceries. The entire 51,020 depend upon our tri-cities for their entertainment, automobiles, furniture, clothing and yes, even their churches. The list goes on and on. However, just as they have become dependent upon us, we have become equally dependent upon them.

I hope I have brought to you, first hand, and personally the financial hardships that have been wrought by the war in the Middle East.

But, I would be remiss in my duty if I did not address the financial and mental hardships faced by the families when deployment is necessary for world peace, especially when it comes in such a compressed time period.

We understand the government - and the military - must focus on rapid deployment and deal with family needs later...Small town, grass root Americans support this thinking 100%...and we rally around the families' needs.

We cannot, nor can you, anticipate the actions of a sergeant who, with a recent departure of his wife...leaving him with children 8, 12 and 16...leaves them with a home and a credit card...as he goes off to war. These children, who had never dealt with the decisions they now faced, ended up in pathetic sanitary conditions and subsisting on dog food. Thank God someone discovered their plight in just a few days!

Or, think of the Korean wife who having been in this country less than a month...attempted to learn better English so she could fend for herself during her husband's unexpected absence - She was raped by her tutor. Or, the sergeant's wife, of Spanish descent...short time in this country...who did not have a driver's license - had never handled a checking account - Our executive editor came to her aid, but think of the hundreds of others that live off post in surroundings that include those who share the same plight.

Unit support groups were formed...but, it was humanly impossible to do these things in time to avoid a great shock to the families, especially the children of the lower ranks of enlisted personnel.

I could bring to you dozens of tearful, heart rendering stories that go with war and the absence of a part of the complete family unit. I will not continue...but I will assure you that, in military communities, the financial hardships are severe for businesses who have attempted to provide the services they need and demand in peace-time -- The Oak Grove Kentucky community - directly in front of the post where the Chamber of Commerce

membership has dropped from 140 members to 32. Lost members -- closed businesses due to the deployment. Businesses that existed to meet the need of the 101st.

The Clarksville Tennessee community where rental housing and apartments stand at a 67% vacancy and the Hopkinsville, Kentucky community where apartments and housing stand at 35 - 50% vacancy. I ask each of you -- Could you service your loans, maintain your property and pay your bills with a 35 - 67% reduction in income?

In the words of Rose Tooley, a real estate professional for many years in Hopkinsville, here is what she has to say about the impact on her profession. - - Exhibit A

And yes, - - there is the Chevrolet automobile dealership that was purchased under a minority GM dealership program. This black American who pursued the dream of all Americans to own his own business, watched virtually helpless as his personal investment and future was quickly in jeopardy. The deployment coupled with cautious civilian buyers have made staying in business a question mark for this American.

I realize time will not permit me to tell you every horror story the deployment has created. However, people have built, invested and worked to provide the services required for a post of over 51,000 soldiers and dependents. These business people did not ask for, nor did they expect a handout when they took the risk of going in business. However, is it unreasonable to expect the same consideration a town receives when a tornado brings financial destruction??

These same businessmen will step forward, in the future, when war raises its ugly head - but, we must ask ourselves - How many businessmen will be willing to gamble their return on the stability of military installations and be there when our soldiers' families need their help and support?

It's a big, big decision for your committee, the Congress and the President.
I pray God will be your Shepherd.

(

Exhibit A

March 12, 1991

TO WHOM IT MAY CONCERN:

I am a full-time Realtor whose only source of income is from the sale of real estate, and the deployment of troops from Ft. Campbell has had a definite financial effect on me.

Approximately 35% of my business in 1989 was military. This was reduced in 1990 to less than one-third of that. I have had no sales since September, 1990. In November, I ran out of reserves and began borrowing money to meet obligations. My income was reduced by some 36% the last half of 1990 as compared to the first half. There has been no income in 1991, and I still have no sales pending.

The deployment itself had a definite effect on the real estate market. I had military being transferred into the area who had planned to purchase homes. However, due to the deployment, their families either returned back home, or they rented. Additionally, there has been a psychological effect on the civilian buyers - they have been too apprehensive over the war situation and the constant news reports about our sluggish economy to tie up their funds in real estate.

Let there be no doubt - I have fully supported the decisions by our leaders in sending our troops to Saudia Arabia and all decisions and efforts since then, including the air and ground war. Words cannot express the pride and support I feel for all involved, and especially for our troops and their families left behind.

However, I have reached the point that I must seriously consider selling my Hopkinsville home and relocating to an area with greater job opportunities. I cannot financially survive another three months without income - and this from a Realtor who has been one of the top producing agents in Hopkinsville!

It is imperative that our leaders now address the effect of the deployment on our local economies, especially for those communities adjacent to military bases.

Sincerely,

Rose F. Tooley

(Ms.) Rose F. Tooley

Realtor

CENTURY 21, Town & Country Real Estate

201 Country Club Lane

Hopkinsville, Kentucky 42240

STATEMENT OF MR. BILLY EDWARDS
CITY ADMINISTRATOR, CITY OF HINESVILLE

Text of Testimony to
Congressional Subcommittee

To orient those of you who are not familiar with Fort Stewart, it is approximately 285,000 acres in size with the main gate and contonement area abutting the northwest city limits of Hinesville. The main gate is less than one mile from the center of Hinesville's business district. Not only do we share a common location but there are numerous economic and social relationships between Fort Stewart and Hinesville. For example there is no distinction between the military and civilian population at social gatherings and in civic organizations primarily because the military population is so well integrated into the civilian population. Hinesville and Fort Stewart have an outstanding relationship as can be demonstrated by the fact that Fort Stewart has a higher rate of reenlistment to serve at present duty station than any other military installation in the country. We have always worked closely together on projects of mutual interest such as the Hinesville/Fort Stewart Regional Wastewater Treatment Facility. A project that was jointly funded, located on Fort Stewart yet owned and operated by the City of Hinesville. However, because such a large segment of the total population of Hinesville is either active duty military or their dependents the economic vitality of Hinesville is very much dependent on Fort Stewart.

Prior to the activation of the 24th Infantry Division (Mech.) in 1974, Hinesville had a population of approximately 6,000. In 1980 the population grew to 11,309 in Hinesville and 37,583 for the

Text of Testimony to Congressional Subcommittee
Page 2

total in Liberty County.

Fort Stewart employs approximately 1100 Liberty County residents with an annual payroll of approximately \$33,000,000. The annual military payroll pours an additional \$370,000,000 into the local economy. It is an understatement to say that the deployment of the 24th Infantry Division had a significant impact on our local economy.

The deployment affected the economy in numerous ways such as slumping retail sales, higher vacancy rates of rental residential units, loss of employees brought about by spouses moving back home, all but a cessation in the residential construction industry and ultimately the failure of several small businesses.

Immediately we experienced a slowdown in retail sales. For example a local McDonald's franchise immediately realized a 40% reduction in sales. Walker Insurance, a local independent insurance agency, has also realized a 40% drop in sales. Every small business establishment operator that we talked to tells us their business is off by fifteen to fifty percent. This broad range can be explained by the different markets targeted by the various businesses. Specifically if a business is small, not very diversified and targets the needs of the soldier it has been impacted greatly. Whereas the larger department stores have not realized such a severe impact. The attached report on local sales

Text of testimony to Congressional Subcommittee
Page 3

tax and the accompanying chart graphically relate the decline in retail sales. The lack of income to these businesses has created a situation that prevents them from restocking their inventory because the fixed items associated with their overhead has depleted available cash reserves. Many have borrowed to their limit or are hesitant to borrow at market rates because of their uncertainty of their ability to pay back loans.

Another way that businesses were affected immediately was by the loss of employees who were military dependents and later by the activation of National Guard and reserve units. Gary Dodd, owner of the two local McDonald's franchises, tells me that twenty (20) of seventy-five (75) employees at one restaurant and thirty-seven (37) of seventy-five (75) employees at the other left on very short notice. He was able to replace the employees but he was left with an extremely under trained work force for an extended period of time. In addition to military spouses leaving jobs the activation of the reserve and guard units caused employers to temporarily leave their normal jobs. The City of Hinesville lost eight (8) employees; four (4) in the Police Department, three (3) in the Public Works Department and one (1) in the Fire Department. While this has not created any problems we couldn't overcome if the same situation is imposed on a small business with a limited workforce the result can be devastating.

Text of Testimony to Congressional Subcommittee
Page 4

Perhaps the business community that was most rapidly and severely affected is the residential rental market. Rental unit owners and managers have consistently experienced an occupancy rate of 95% or better over the last several years. Now they are faced with an occupancy rate of 40% to 60%. Dennis Waters owner of a major residential rental business reports a 40% occupancy rate. Paul Krebs owner of the largest nonsubsidized apartment complex also reports an occupancy rate of 40%. While both companies have taken the opportunity to remodel some of their units an occupancy rate of 40% for several months severely impacts their ability to maintain their rental units.

Another sector of our economy that may be a direct reflection on our local economic situation is the single family residential construction industry. Over the past several years we have averaged twenty (20) new building starts per month. Since the deployment we have averaged only five (5) per month. This information not only reflects a decreased demand for housing but also a uncertainty about the stability of our local economy. Obviously such a great reduction in construction translates into employee layoffs and other economic problems.

Arguably the ultimate indicator of a local economy is the number of business failures or closures in the area. Hinesville has been fortunate to have experienced a continuous increase in the total

Text of Testimony to Congressional Subcommittee

Text of Testimony to Congressional Subcommittee
Page 5

number of businesses to locate in the community. However during the last four (4) months of 1990 we saw thirty five (35) businesses close their doors. Only twenty three (23) businesses closed during the same period of 1989. That is a 48% increase in business closings.

Fortunately our troops are returning now and we are proud to know they have served their country well. As a result of them returning sales are increasing and business in general is improving. However, without loans at below market rates many of our businesses will be unable to restock their shelves, pay their suppliers and generally recover from the financially difficult times we have been experiencing. As a result more businesses will be forced to close their doors.

Finally let me relay to you our communities feeling about this entire situation. While we have been concerned about the local economic situation first and foremost on everyone's mind was the safe return of all our military men and women regardless if they were in the victorious 24th Infantry Division or some other military unit.

Attachments

CITY OF HINESVILLE
LOCAL OPTION SALES TAX
HISTORY

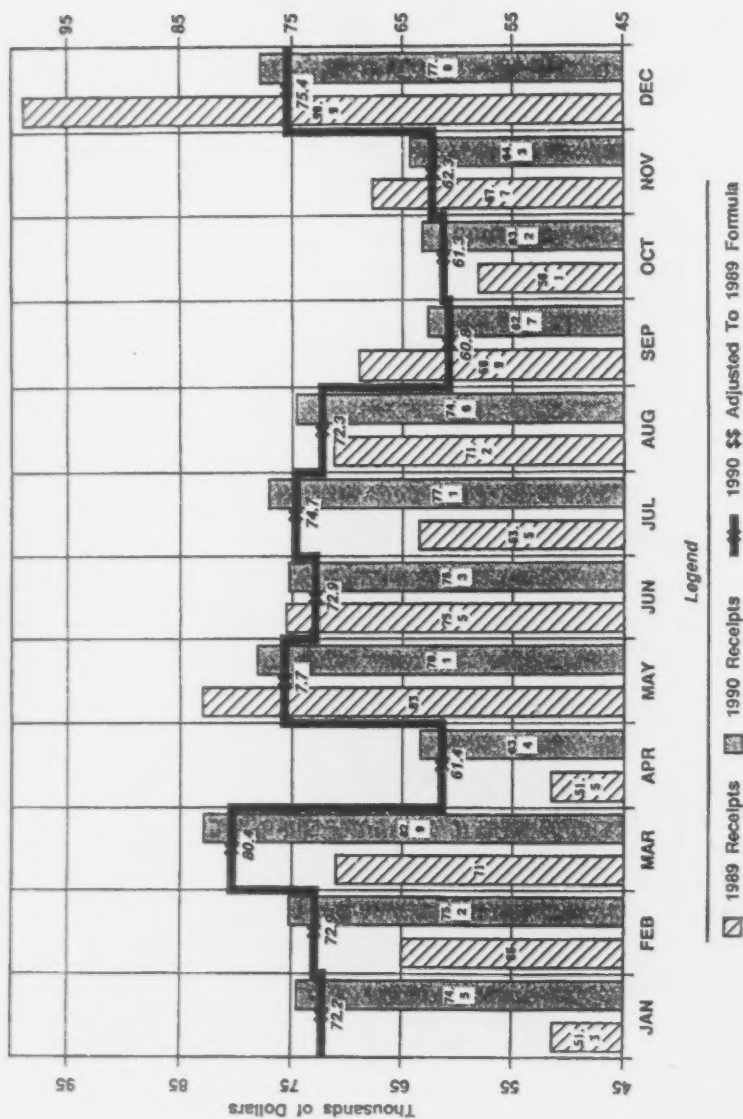
<u>Month Collected</u>	<u>Date Posted</u>	<u>Amount Received</u>
Jan., 1989	April 5, 1989	\$51,295.02
Feb., 1989	May 5, 1989	\$65,042.83
March, 1989	June 6, 1989	\$71,049.27
April, 1989	July 3, 1989	\$51,574.17
May, 1989	Aug. 31, 1989	\$82,904.43
June, 1989	Sept. 6, 1989	\$75,468.89
July, 1989	Oct. 3, 1989	\$63,543.50
Aug., 1989	Nov. 2, 1989	\$71,231.39
Sept., 1989	Dec. 4, 1989	\$68,867.79
Oct., 1989	Jan. 2, 1990	\$58,142.37
Nov., 1989	Feb. 1, 1990	\$67,678.14
Dec., 1989	March 2, 1990	\$98,874.94

After this point in time the distribution formula changed. Hinesville began receiving 36% of the total county receipts whereas prior to January 1, 1990 Hinesville was receiving 34.9%. 36% is a 3.1 % increase over 34.9%. A factor of .97 should be applied to the 1990 figures to compare them to the 1989 figures.

Jan., 1990	April 2, 1990	\$74,512.30
Feb., 1990	April 26, 1990	\$75,172.88
March, 1990	May 30, 1990	\$82,942.04
April, 1990	June 28, 1990	\$63,363.08
May, 1990	July 25, 1990	\$78,122.96
June, 1990	Aug. 28, 1990	\$75,287.85
July, 1990	Sept. 27, 1990	\$77,145.46
Aug., 1990	Oct. 26, 1990	\$74,571.93
Sept., 1990	Nov. 28, 1990	\$62,740.58
Oct., 1990	Dec. 27, 1990	\$63,242.73
Nov., 1990	Jan. 28, 1991	\$64,256.64
Dec., 1990	Feb. 27, 1991	\$77,815.24

Hinesville Local Option Sales Tax Receipts

January through December: 1989 & 1990



Source: City Administrator

MAYOR
Buddy DeLoach
CITY ADMINISTRATOR
Billy Edwards
CITY CLERK
Onetha Mingledorff
CITY ATTORNEY
James W. Smith

City of Hinesville

DEPARTMENT OF INSPECTIONS
Bill Downs, Director
115 East M. L. King, Jr. Drive

Hinesville, Georgia 31343-3699

912-876-4147

MAYOR PRO TEM
Paul Rose
COUNCIL MEMBERS
Flo Sikes Zechman
Charles Frasier
Allen Brown
Alonso Walden

PERMIT DESCRIPTION	NUMBER OF PERMITS ISSUED	
	SEP - DEC 1989	SEP - DEC 1990
Single Family Res	74	21
Stores/Mercantile		1
Duplex	1	
Office/Bank/Professional	1	
Condominium	1	
Accessory - Non-Res/Commercial	1	
Accessory - Residential	4	4
Non-Res/Commercial/Add, Alter, Repair	4	
Residential Garages	1	
Swimming Pools	1	1
Residential Add, Alter, Repair	29	46
Commercial Add, Alter, Repair	12	3

TESTIMONY

UNITED STATES HOUSE OF REPRESENTATIVES
Committee on Small Business
Subcommittee on Environment and Employment

Scott R. Daugherty
Executive Director
North Carolina Small Business
and Technology Development Center

Thank you, Mr. Chairman, for giving me the opportunity to appear before this Committee as it considers the effects on small business of the deployment of active duty, reserve and national guard personnel to the Persian Gulf. Given the heavy role which troops from the State of North Carolina played in the successful resolution of this crisis, our experience may be particularly relevant to the deliberations of the Committee.

In all, there is an estimate that nearly 1 in 6 of all troops involved were from North Carolina (the highest of any state in the nation). Ft. Bragg contributed the first troops, the 82nd Airborne. It also supplied special operations troops and the Airborne Corp Command. Camp Lejeune provided roughly one-half of the Marines involved. Seymour Johnson contributed F-15 squadrons and refueling support. Cherry Point Marine Corps Air Station supplied Harrier jets. Very significant National Guard and Reserve component commitments were made as well.

I appear before you today in my capacity as the director of the Small Business and Technology Development Center (SBTDC) which functions as The University of North Carolina's Business

and Technology Extension Service. The SBTDC also is the State of North Carolina's participant in the nation-wide Small Business Development Center Program. The SBDC program, as you know, is authorized and operates under the U.S. Small Business Act of 1958 as amended. Funding and management oversight for this small but valuable national program is provided by the Congress through the U.S. Small Business Administration.

The SBDC program began in North Carolina in 1984. By all accounts, it has become one of the more successful SBDCs in the country. We now provide indepth business counseling and management training to over 10,000 business owners and would-be entrepreneurs each year. We do so through a network of nine regional offices across our state. To assure ready public access to our services, we also maintain an extensive outreach effort--"circuit riding"--on a regularly scheduled basis to over 70 communities.

As you might expect of an organization which has such a solid working presence in our state's business community, we saw early signs of the impact of the troop deployments to the Gulf. This began in the early fall with a sharp decline in business start-ups and dramatic increases in counseling requests from existing firms. As time passed, the economic impact worsened. Frankly, by the beginning of the ground war phase of the Gulf crisis, the economic condition of many service and retail establishments in our military dependent communities had become acute. Particularly effected were the four counties which host large military installations in the eastern part of North

Carolina: Cumberland (Fayetteville/Ft. Bragg); Wayne (Goldsboro/Seymour Johnson AFB); Onslow (Jacksonville/Camp Lejeune) and Craven (Havelock/Cherry Point MCAS).

In February, as the evidence of an impending economic crisis mounted, the SBTDC considered ways to more effectively intervene. Only one of the four military communities was served by the SBTDC on a full-time basis--though the other three were regular, circuit-riding sites. A plan was developed, accordingly, to bring substantial counseling resources to bear in each of these four communities. These would be focused on assisting those firms which had been most affected by the deployment of the troops.

As the SBTDC prepared to initiate its special counseling intervention program, Governor James G. Martin declared the four target counties as "economic emergency areas." He also established a three-pronged program called Project Lend-A-Hand to provide assistance to these communities (see description attached). The cornerstone of the Governor's program is the confidential business and financial counseling intervention program of the SBTDC.

Over the past month or so we have focused significant attention on our military dependent communities. This has included extensive contacts within these communities. We have had very substantial discussions with local government officials, chambers of commerce, merchants' associations, bankers and the media. We also have conducted numerous interviews with business owners through our direct counseling efforts. In these we have

systematically attempted to collect data on the financial condition of the firms which we have assisted. This has included information as to their condition, both before the Gulf crisis and now. We also have attempted to gauge the ability of these firms to survive an additional three or six months without the return of their market and their financing needs, if any.

Based on these activities we have a number of observations and findings to share with you. These are:

1. The impact of troop deployment has been most evident in the communities which are least diversified.
2. The scale of the military deployment also has been a direct factor in the extent of the local economic impact.
3. Complete business failures have been fairly limited to date--limited to marginal businesses with very heavily dependent military market and/or limited financial strength.
4. There has been the most impact on firms owned/operated by members of the National Guard/Reserve. Small sole proprietorships and professional firms have been most affected.
5. The economic impact and level of failures certainly will increase with the length of time before the return of troops.
6. Most of the firms interviewed by the SBTDC can weather the next 90 days by reducing costs/hours of operation (June 1); beyond that, significant numbers of businesses will become marginal and failures will undoubtedly increase.
7. The financing needs of these businesses are limited--support for refinancing and restructuring of existing debt is the most common need.
8. Government at all levels has been remarkably slow in responding to the needs of the communities and the businesses impacted by this troop deployment.

Most of these are the all too obvious results of major troop deployments. The effects to date have been significant but not yet catastrophic. Assuming that the majority of troops are returned in the near term--three months or so--most small businesses which have been negatively impacted will survive; some will need just a little help.

In conclusion, Mr. Chairman, we have a few recommendations for the Committee's consideration.

First, this recent Gulf War experience has given us ample reason to give more serious thought now to making plans for reducing the impact in the future of either major troop deployments or base closures.

Second, we must develop the capacity to respond more quickly to economic disasters which are not directly the results of physical or natural disasters.

Third, financial assistance will be needed by some businesses to support refinancing/debt restructuring. The disaster loan program administered by the SBA should be available for this purpose--the current limitation to use of these funds for natural disasters only must be eliminated immediately. However, financial assistance should be limited to firms which can benefit from refinancing or restructuring of current obligations and not as a cash flow substitute for lost sales.

Finally, consideration should be given when implementing federal initiatives--whether programmatic or financial--to the direct involvement of the SBDC program. Our own experience with fairly recent federal intervention in North Carolina in response

to a natural disaster has not been positive. In fact, the "Red Tide" intervention was disastrous--many expectations were created but almost none fulfilled. The SBDC program offers some solutions. It is locally based and can be highly responsive to local crises. It is an effective service delivery system which should be utilized by state and federal governments in times of local economic crises. In the end, after all, this is a delivery system infrastructure in which you have already made an important investment.

Thank you again, Mr. Chairman, for giving me this opportunity to meet with this Committee.

Governor James G. Martin's Project Lend-A-Hand

Business and Financial Counseling Services

The University of North Carolina's business and technology extension service, the Small Business and Technology Development Center (SBTDC), introduces its contribution to Governor James G. Martin's three-pronged outreach program "Project Lend-A-Hand". This initiative, established by Governor Martin after declaring Craven, Onslow, Cumberland and Wayne counties as "Economic Emergency Areas", is designed to help businesses who are facing economic hardships due the deployment of troops to the Middle East.

Governor Martin's program consists of a Stars and Stripes sale, business/financial counseling for troubled businesses and Congressional legislation for federal assistance. In an effort to aid the success of "Project Lend-A-Hand", the SBTDC will be heading up a hands on crisis assessment and business counseling program for business owners that have been adversely affected by troop deployments.

The crisis assessment program will offer advice to those businesses in economic emergency areas who are experiencing difficulty because of the War in the Gulf. Counseling will focus on careful management, streamlining operations, and preparing to respond to intervention financing initiatives. The services provided by the SBTDC and other qualified professionals will be strictly confidential and free of charge. Four multi-member teams made up initially of SBTDC staff members will conduct individual counseling sessions starting Tuesday, February 26, 1991 in Fayetteville at FSU's Continuing Education Center, in Jacksonville at the Onslow Inn, in Goldsboro at the Wayne County Chamber of Commerce, and at the City Hall in Havelock.

Businesses located in the emergency areas specified by Governor Martin are invited to participate in this counseling program. The SBTDC's Headquarters office in Raleigh will be scheduling appointments daily. To make an appointment for Fayetteville, Jacksonville, Havelock or Goldsboro call Janice Moseley at the SBTDC at 1- 800-258-0862. The SBTDC asks that you please bring your most recent financial statements to counseling session to help in their assessment.

If you have any questions concerning participation in "Project Lend-A-Hand" please call us at 1-800-258-0862.

TESTIMONY

United States House of Representatives
Committee on Small Business
Committee on Environment and Employment

Carl Ragsdale
Small Business Owner
Jacksonville, North Carolina



Chevrolet • Cadillac • Geo • Daihatsu
P. O. Box 346, Jacksonville, N. C. 28541-0346
(919) 455-2121

Chairman Olin and
Members of the Sub-Committee

I appreciate the opportunity to be here today. I also greatly appreciate your interest in and concern for the businesses and people in the areas most dramatically affected by Desert Shield and Desert Storm.

I am Carl Ragsdale, an automobile dealer in Jacksonville, N. C., home of Camp Lejeune and the Marine Corps Air Station at New River. We are all enormously proud of our Marine friends and neighbors and what they have done in the Mid East. And we can't wait for them to get home.

I have been in the Chevrolet-Cadillac business in Jacksonville since 1967; I've been thru strikes, recessions, and a war, and I've never seen business so adversely affected, so fast, and so widespread. Approximately one half of our market's population simply is gone. The Marines, 30,000 of them, are in the Mid East, and a huge number of their dependents have also left to return to their families back home.

Please do not think that this is merely a "business" problem. A business is made up of people and this is a "people" problem. These laid off people, these unemployed breadwinners are not as appealing to the media as our returning warriors, no one is putting up yellow ribbons for them, they don't have a forum, they don't have a photogenic spokesman, but gentlemen let's not forget them. Some of these people are hurting--and thru no fault of their own.

What would help us?

Obviously getting the troops back as soon as is practical would be the surest permanent cure.

The quickest relief could be granted if the manufacturers of our products would suspend floor plan interest payments until the troops were back home. For most dealers this is our largest expense, except for salaries, and is particularly burdensome in time of slow sales and high inventories.

For some dealers, and I suspect other businesses also, the ability to borrow money to get thru this time is going to be crucial. Mr. Greenspan recently decried the lack of willingness on the part of bankers to loan money, and on the other hand the bankers blame the Federal regulators for making them be reluctant lenders. Someone needs to cut that knot or some dealers simply will not make it. And when that happens more people are thrown out of work.

Let me share some numbers with you. As you may remember, the Marines deployed in waves and our area did not feel the total impact until most of them were gone. As a result, my Company's sales of new and used cars were up 8% thru October as compared with the same ^{time last year.}

Then the bottom fell out. In November, December, January, and February our sales were down 34%.

This meant that our gross revenues were down 29%. In more real terms, we had \$203,350 less dollars in those four (4) months with which to pay salaries, rent, floor plan interest, hospitalization premiums, and all the other expenses necessary to stay in business.

To survive I have obviously had to reduce expenses. As my revenue decreased 29%, my number of employees has been reduced by 29%. Everybody that is left has taken a pay reduction, our contribution into our retirement program has been suspended, many of our employees are working only two (2) or three (3) weeks a month--and the list goes on and on.

As I said earlier, I have reduced my workforce by 29%. That 29% means that there are 17 people out of work--17 good, productive, well-trained, skilled people--17 families whose lives, like the Marines, have been disrupted, whose plans and hopes for the future have been put on hold. Multiply my numbers by all the other business numbers in these affected counties, and you can readily see there are thousands of people who have been hurt by this huge deployment.

Gentlemen thank you for your time and your concern. I hope that we can work together to deal with this dilemma as well as our forces dealt with Desert Storm. Thank you.

Statement of
 Major General Evan L. Hultman, AUS (Ret.)
 Executive Director
 Reserve Officers Association of the United States
 for the
 Subcommittee on Environment and Employment
 Committee on Small Business
 United States House of Representatives
 Concerning the Impact of Reserve Components' Call-up
 on Small Business--13 March 1991

Reserve Officers Association of the United States



National Headquarters • 1 Constitution Avenue, N.E.
 Washington, D.C. 20002
 202/479-2200

Statement of Major General Evan L. Hultamn, AUS (Ret.), Executive Director, Reserve Officers Association of the United States before the Subcommittee on Environment and Employment of the House Small Business Committee regarding the effect on small business by the activation of Reservists--13 March 1991.

Mr. Chairman and Members of the Subcommittee:

On behalf of the 115,000 Reserve Officers Association members from each of the uniformed services, I appreciate the opportunity to present to the committee the association's views and concern for members of the reserve components who own or are deeply involved in the management of small businesses which have been negatively impacted by the absence of the Reservists as a result of their being called to serve on active duty.

First, I want to commend the subcommittee for responding so quickly to a chain of events which have had a ruinous effect on a number of small businesses across the country. The devastation or failure of small business affected by the management or leadership loss resulting from the activation of reservists has had a serious impact on the lives of many of the individuals involved. But before focusing on the affect of the call-up of Reservists, I would like to call the subcommittee's attention to Operation DESERT STORM, the magnitude of the reserve forces deployment and the reserve component men and women who have been called to active duty--a *raison d'etre* for this hearing.

The Army has called up approximately 71,200 members of the Army Reserve's Troop Program Units; more than 1,200 members of the Individual Mobilization Augmentation (IMA) program; more than

20,000 Individual Ready Reservists; and about 1,150 retirees. In addition, more than 4,000 Army Reservists served or are serving on voluntary temporary tours of active duty. The Army Reserve's share of the Army Reserve Component call-up is over 600 units, and more than 44,000 Army Reservists are serving in theater. Because of their high state of readiness, many of these units spent only the minimum seven days to process for overseas duty.

The Chief of Naval Operations called up approximately 25,000 of the 44,000 Naval Reservists authorized for call-up by the Secretary of Defense. Over one-half of those called are medical personnel. Over 20,000 Naval Reservists are now on active duty, including more than 6,500 who are now serving in the theater of operations. The Secretary of Defense authorized the call-up of 44,000 Marine Corps Reservists. More than 25,000 Marine Corps Selected Reservists, approximately six of every ten Marines in the Selected Reserve, have been called up and many are now serving in Southwest Asia. In addition, more than 7,000 Marine Corps Individual Ready Reservists have been called to active duty.

The Air Force Reserve provided more than 130 complete or partial units totaling more than 20,000 personnel for Operation DESERT STORM. The first units to be called up augmented the Military Airlift Command's strategic lift capability, while following units provided tactical airlift, aerial port squadrons, combat logistics and fire fighters. Forty-one different medical units were called up. No additional training was required to bring personnel "up-to-speed" prior to deployment, and Reservists were

indistinguishable from their active force counterparts. In addition, more than 2,000 Individual Mobilization Augmentees were called to active duty in the Air Force.

Approximately 1,400 Coast Guard Reservists were called to active duty to support operations DESERT SHIELD and DESERT STORM. They provided port security and load supervision since the earliest phase of the logistic effort to support these operations. All three of the Reserve Port Security Units structured for overseas operation were deployed in theater.

In all, a total of 227,500 members of the National Guard and Reserve were called up in support of Operation DESERT STORM; 105,300 of those activated were serving in the Persian Gulf prior to the drawdown.

Reserve forces involvement in Operation DESERT STORM confirms the critical importance of reserve components as integral parts of the Total Force--Reservists have every reason to be proud of their contribution to this very successful operation.

As members of this subcommittee, you are interested in the impact of this call-up of so many members of the Guard and Reserve on America's small businesses. As members of Congress, concerned with the national security, I know you are also interested in knowing what impact small business losses and failures will have on individual Reservists and on the reserve components as a part of the Total Force.

The capability of the reserve components to attract and retain qualified personnel is directly related to the ability of Reserv-

ists to maintain their civilian careers while participating in reserve programs. Unless ways can be found to compensate or enable these individuals to cope with losses or the potential for loss, many Reservists who own or manage small businesses will be forced to sever their ties with the reserve components. Because of the number and the quality of those members of the Guard and Reserve who own or manage small businesses, their ability to pursue their civilian interests cannot be ignored. Recruitment and retention are critical to the reserve forces and will probably become more important as the more cost-effective reserve components are called upon to provide a greater share of our nation's defense forces.

While we have no way of knowing just how many small businesses have been negatively affected by the activation of members of the Guard and Reserve, we have heard from some, and the large number of Reservists called up would suggest that the number could be significant. A 1986 "Reserve Component Survey of Selected Reserve Officers and Enlisted Personnel" concluded that 11 percent of reserve enlisted personnel and 13 percent of reserve officers were either self-employed or employed in family businesses. These percentages and the number of Reservists activated would probably provide some indication of the number of small business affected by the call-up. Included in the percentages would be a large number of individuals who own or manage small business.

I do not want to exaggerate the number of small businesses affected by the call-up of individuals to active military duty. Not all small business owners and managers have experienced the

same problems--their businesses are not all now basket cases. However, a significant number of Reservists and businesses have been affected by the call-up, and because of the impact on the lives of individuals and the effect on the reserve components, these incidents must be addressed. The following are examples of what can happen when the owner or manager of a small business is called to serve on active duty.

Also testifying today is Maj. David A. Lough of the 756th Military Airlift Squadron (MAS) at Andrews AFB, Maryland. His C-141 squadron was called to active duty on 24 August, and squadron crew members were voluntarily flying missions prior to the call-up. Major Lough will be relating his own experience, but a number of other squadron personnel were also negatively affected.

Also in the 756th is a captain who owned and operated a Northern Virginia concrete contracting business with his brother. The brother was the on-site manager, but the squadron member made the necessary contacts, provided work estimates and did the contracting. When the partnership lost the expertise of the squadron member, it could no longer function. Both brothers and their employees suffered the loss. Many of the expenses of the company did not stop when the contracting ended. The partnership cannot be salvaged without an infusion of capital.

The squadron activation also included a lawyer and an architect, both of whom had their own businesses in Northern Virginia. Both had continuous expenses while suffering the loss of business. A general contractor from New Jersey, a technical sergeant in the

squadron, was also activated with the 756th MAS. This home improvement and roofing contractor had a number of employees who depended on him. There was no one in the small company to continue the business.

A US Army Reserve E-7 and operator of a security business in a medium size, Midwestern city was called to active duty in December. His wife, who he left to run the business in his absence, has been unable to maintain cash-flow to pay business loans, employees and other business expenses. The business is being marginally maintained, but the sergeant will desperately need money upon his return to rebuild the business.

An Army National Guard captain was a financial advisor in a midsize, Northern Midwestern city prior to activation. He ran a small firm which handled insurance, financial investments and also completed income tax returns. Although there were other employees, he was the CPA/CFA and the other employees provided support. On his activation he was forced to close his doors due to the timing of the call-up and the fact that he was missing the tax season. He will need financial assistance to reopen, rehire employees and rebuild his business.

An Army National Guard E-6, called to active duty in November, was the proprietor of a local extermination business in a town of 75,000 in Alabama. The sergeant ran the business to include soliciting new business, the financing, the bookkeeping and other duties. His four employees lacked the skills needed to operate the business while he was on active duty, and he was forced to close

the doors. The sergeant will need financing to reopen and rebuild his business.

A US Army Reserve colonel was called to active duty in August to command one of the ports for Operation DESERT SHIELD/DESERT STORM. As a professional engineer, he was an engineering consultant with his own business in a mid-size Southern city. He employed a number of other persons, including two other professional registered engineers who augmented the firm with specialized engineering skills. When he was activated, he had outstanding loans which he had extended, believing he would be home in 90 days. The extended mobilization has forced him to close the firm and has left him with a sizeable residual debt. He will need financial assistance to reestablish his business.

An Air Force Reserve staff sergeant, a loadmaster with the 97th Military Airlift Squadron, was about to have a grand opening of a new printing business in Bellingham, Washington when his squadron was activated on 8 September. He had purchased new equipment and sustained the cost of new office space, but the new business has yet to be opened. Without monetary assistance he will suffer great financial loss and may never be able to open his new business.

Early this year, the Reserve Officers Association identified the need to provide low-cost small business loans to Reservists whose businesses are threatened or destroyed by their absence due to their being called to active duty. The belief was and is that low-cost loans could be used to cover losses resulting from the

absence of the Reservists or to rebuild small businesses that have been devastated by the active duty call-up of the owner/manager. It is assumed that without low cost borrowing power many more Reservists and the small businesses they own or manage will be lost, and many more needed Reservists will be lost to the reserve components.

In calling attention to a problem, I would not leave the impression that the call-up has devastated the livelihood of every activated Reservist. All-in-all, the call-up has been highly successful, and it has provided manpower and force structure that the nation could not otherwise afford and thus would not have been available. Though limited, a number of individuals who own or manage small businesses have been financially overwhelmed, and their loss can and should be addressed. The cost of providing some protection or relief to these individuals is small when compared to the experienced leadership that it would provide to the reserve components. It would be a relatively small investment in personnel who bring a giant saving to an all-volunteer Total Force.

Thank you for providing me this opportunity to address the needs of some very capable members of the reserve components who have been particularly hurt by a call to serve their country. I appreciate the interest of the subcommittee. I will now be happy to respond to any questions that you might have.



NCOA

Non Commissioned Officers Association of the United States of America

225 N. Washington Street • Alexandria, Virginia 22314 • Telephone (703) 549-0311

STATEMENT

of

Richard C. (Dick) Schneider
Chief Master Sergeant, USAF, Retired
Deputy Director of Legislative Affairs

before the

Small Business Subcommittee

on

Environment and Employment

COMMITTEE ON SMALL BUSINESS

U.S. HOUSE OF REPRESENTATIVES

FIRST SESSION, 102nd CONGRESS

on

EFFECTS OF RESERVE DEPLOYMENT
ON BUSINESS

March 13, 1991

Chartered by the United States Congress

Supplemental Sheet

WITNESS: Chief Master Sergeant Richard C. (Dick) Schneider,
USAF, Retired
Deputy Director, Legislative Affairs

ADDRESS: Non Commissioned Officers Association
of the United States of America
225 N. Washington Street
Alexandria, Virginia 22314
Telephone: 703-549-0311
Fax: 703- 549-0245

OUTLINE OF COMMENTS:

Testimony focuses exclusively on the need for a small business disaster recovery loan program to assist reserve and guard small business owner/operators who were deployed with their reserve components due to the Persian Gulf conflict;

- * Businesses were placed on hold or suspended due to mobilization.
- * Some attempted continuation by spouse or others
- * Unique group of citizen/soldiers
- * Provide examples of business activities
- * Poor Risk for commercial loans from locally available financial institutions.
- * Need a national solution to provide low interest disaster loan program for small business recovery.
- * Note that NCOA is working with veterans committees to amend Soldiers and Sailors Relief Act to protect professional licenses and performance bonds for deployed small business personnel.
- * Also noted that within the Small Business Administration there should be a category exclusively for veterans, in addition to a category for disabled veterans which already exists, disabled, to assist in their small business enterprises.

RECOMMENDATION:

Support legislation to:

- * Establish through Small Business Administration a national disaster recovery loan program available for all small businesses to provide low interest long term loans based on individual business need.
- * Program needs to be in place NOW.
- * Undoubtedly, SBA may be only source for such funds in view of crisis in America's banking institutions.

Mr. Chairman, the Non Commissioned Officers Association of the United States of America (NCOA) greatly appreciates this opportunity to comment about the effect on Small Business by the deployment of active duty, coast guard, reserve, and national guard personnel in support of Operation Desert Storm. I am Richard C. Schneider, Chief Master Sergeant, United States Air Force, Retired, Deputy Director of Legislative Affairs, NCOA. Our Association is a federally-chartered organization representing over 160,000 members of active duty, reserve, national guard, retired, and veteran Non Commissioned Officers and Petty Officers of the United States Armed Forces. Many of the Association's members are now serving, or have served, in the Persian Gulf. In fact, among the limited number of casualties in this conflict: four (4) of our members have been killed in action; and two (2) were among the recently repatriated prisoners of war.

Mr. Chairman, the hearing today addresses the right subject at the right time. You recognize, as we do, that many businesses have been financially adversely effected even to the point of closure and bankruptcy. The common denominator has been the commitment of United States Forces to Operation Desert Storm. Mobilization of forces has had a variety of negative impacts not only on community businesses that lost patronage; but, also and perhaps more dramatically on Small Businesses that were owned and operated by individual members of reserve and guard organizations that were deployed. These mobilized business owner/operators may never be able to recover their business ventures that have deteriorated or ceased to operate because of the owner's military absence. A support

system is needed to provide disaster loan eligibility for small business concerns that are owned and operated by reserve and guard component members of the Armed Forces. We advocate a disaster loan eligibility program administered by the Small Business Administration as reasonable and absolutely essential for these people. This financial support system needs to be in place now to be available for returning servicemember entrepreneurs. We are acutely aware in this day of failures by financial institutions that high risk loans, such as for disaster recovery, will simply not be available to debt-laden small business activities where not only the business has faltered but the owner/operator has in six short months become heavily encumbered by personal family financial indebtedness. This is a unique group of American people known since revolutionary times as citizen soldiers. These men and women did not hesitate when summoned to duty, they answered their nation's call to war-time conflict. Nor did they procrastinate over the short notice they received to deploy in support of Operation Desert Storm.

Take the case of Navy Reservist Gerald Henke of Mississippi:

Eight months ago, Gerry realized his dream to open his own business - an automobile and truck repair station.

Within months, after all the expense of opening a business, Construction Mechanic Second Class (E-5) Gerald Henke was deployed to the Persian Gulf.

Today, Mr. Henke is still on active duty and is having a significant problem in meeting his monthly liabilities for his garage lease, telephone, and utilities because of his absence. Obviously, he did not open a business for which he was qualified to succeed only to "lose his shirt."

Shortly, Mr. Henke will be demobilized and return to his family, business, and creditors. Mr. Henke will be traveling down a rough road. He will need fast financial assistance.

We can easily appreciate the financial dilemma that will be faced by Mr. Henke and countless others that will be confronted with similar situations. We support a disaster loan recovery program that can quickly help these citizen soldiers get their small businesses back on track. There is no doubt that many of these people will be perceived as an unacceptable credit risk to a local financial institution.

Mr. Robert Dorsey of Washington State is a Senior Chief Petty Officer (E-8) in the Naval Reserve with over twenty six years of service. Mr. Dorsey owned a profitable consulting business which at the time of his mobilization was under contract to Pacific Gas Transmission Company of Spokane. Mr. Dorsey bore the loss of \$10,000.00 by having to terminate that contract one month prior to completion. He also forfeited anticipated follow on contracts with Pacific Gas Transmission. Being his own boss he was unable to bid on future work. When he returns from active duty, he will be starting all over again. His business loss is estimated at over \$35,000.00 to date.

And, then there is Mr. Dwight Dibben a self-employed residential building contractor in Sublette County, Wyoming. Mr. Dibben's business venture normally employed two full time and two part time employees. Mobilization as an E-6 for duty in the Persian Gulf at the start of Wyoming's construction season meant not only the cancellation of six confirmed foundation projects, but also the termination of employees as he put all business matters on hold during his absence. He is concerned about the reputation and credibility of his business since he forfeited on established business contracts. He also knows that business success requires good employees.

In the cases we have cited, we note that everyone of the individuals have expressed a high degree of pride at being recalled to active duty in support of their country. Their commitment and patriotism is unequalled. All continue to serve - for whatever time is necessary - to complete their reserve war-time assignments. All of them also know that their future holds many question marks.

Will they be able to pick up the pieces?

How long will it take to re-establish their small businesses and again be profitable?

How long can they survive after demobilization without a source of income?

Will their business reputations be effected?

Do they have the money necessary to sustain their families? Children in college?

As business owner/operators and now unemployed will they be able to secure the necessary loans for business recovery?

And, as a foundation to each of the above questions: When will they be released from their mobilization assignment?

It is extremely easy to envision the homecoming of our reserve and national guard small business owners. Their immediate joy will quickly give way to the realization that they have to get their businesses up and running. After all, if they had a one person deep business venture and their business affairs were placed on hold due to military requirements of their reserve commitment, they really don't have a lot of time to waste. Their military pay will have terminated and, until they establish an income, will be living on savings that were acquired before mobilization. That is if they still have savings. Another well known reality is that most of our reserve and national guard personnel lost significant annual income when they were mobilized. Their standard of living was based on their civilian business earnings and not that of their military pay rates. Consider our consultant who, prior to mobilization, had the capability to earn his reserve annual income every three months. The average debt ratio for a civilian and his family at this income level would be over-whelming if, overnight, the debt ratio had to be met on monthly enlisted pay.

This Subcommittee, as previously stated, is meeting at the right time and for the right purpose to help determine how best to assist small businesses recover from negative financial impacts caused by the mobilization of forces in support of the Persian Gulf conflict. It's easy to perceive the problem. To grasp the magnitude of the problem however is much more difficult because there is no big advocate, focal point, or clearing house to identify problems of the independent small

business owner operators. Contrast these people, the small business owner/ operators with professional people (doctors in particular). Even before mobilization, the "plight" of mobilized doctors, as a category, was being heard nationally. Again, by contrast, we will not even know the full parameters or the effects on military small business owners until they are demobilized and individually begin to make their situations known.

To help this unique group of citizen/soldiers that are now war-time veterans we must establish a disaster relief small business loan support system now:

The President has stated the war is over, the troops are coming home. And, they are coming home - thousands every day.

Demobilization will occur quickly for members of the guard and reserves.

We must have a national loan eligibility disaster relief program for small business owners placed in jeopardy by their reserve or guard participation in the Persian Gulf conflict. And, this relief program must provide:

** Eligibility for loans from the Small Business Administration even if SBA did not assist the owner/operator in the establishment of the small business.

** A dollar amount per loan sufficient for the small business person to recover the business venture.

** Low interest rate and extended repayment period.

** Recognition of joint ownership of small businesses by family members and the eligibility of these jointly owned businesses

for disaster recovery relief.

- ** Immediate processing and delivery of funds.
- ** Loan eligibility for the category of military reserve/guard.

We believe another area that needs to be addressed within the Small Business context is the establishment of a veteran category for development of small businesses. Currently, veterans, unless disabled, compete with all citizens desiring to establish their businesses. The veteran population will greatly increase in numbers due to the end of the Persian Gulf conflict and further by the reduction in Armed Forces mandated by Congress over the next five years. The establishment of a veterans assistance category in the Small Business Administration would markedly benefit this group in the pursuit of establishing small businesses across America. We ask that this subcommittee consider this initiative in their deliberations of how best to extend opportunities for American veterans through the Small Business Administration.

Mr. Chairman, NCOA has requested to testify before the Veterans Committee on March 21, 1991 seeking amendment of the Soldiers and Sailors Civil Relief Act. At that time, NCOA will recommend additional protection for military personnel against adverse license action and performance bonds prompted by military service. We believe that this type of professional protection should be offered to the small business contractor or tradesman in addition to the financial disaster loan eligibility program which we advocate here. We ask that this subcommittee convey to the Veteran's Committee SSCRA recommendations which would protect the license and performance

bonds of reserve and national guard personnel who are small business owner/operators. It obviously will do little good to have a disaster loan recovery program in place to offer financial assistance to people whose lost professional licenses, credentials, or performance bonds will deny them any opportunity to succeed in their small businesses.

Thank you, Mr. Chairman for the opportunity to present the concerns of the Non Commissioned Officers Association.

ARMED FORCES PAY TABLE EFFECTIVE JANUARY 1, 1991

(Amounts over fifty cents have been "rounded up" to the next higher dollar amount.)

Rank	Under 5 Years	Over 5 Years	Over 8 Years	Over 9 Years	Over 10 Years	Over 11 Years	Over 12 Years	Over 13 Years	Over 14 Years	Over 15 Years	Over 16 Years	Over 17 Years	Over 18 Years	Over 19 Years	Over 20 Years	Over 21 Years	Over 22 Years	Over 23 Years	Over 24 Years	Question Allowances				
																				No. Dep. P.	No. Dep. P.	With Dep. P.	Rank	
COMMISSIONED OFFICERS																								
O-10	6,180	6,376	6,376	6,376	6,376	6,330	6,330	6,987	6,987	7,487	7,487	7,988	7,988	8,486							661	51	814	O-10
O-9	5,458	5,601	5,721	5,721	5,721	5,866	5,866	6,110	6,110	6,320	6,320	6,597	6,597	7,487							661	51	814	O-9
O-8	4,944	5,092	5,213	5,213	5,213	5,601	5,601	5,866	5,866	6,110	6,320	6,597	6,783	7,487							661	51	814	O-8
O-7	4,108	4,287	4,387	4,387	4,584	4,584	4,860	4,860	5,092	5,091	5,987	5,987	5,987	5,987							661	51	814	O-7
O-6	3,045	3,245	3,245	3,245	3,245	3,565	3,565	3,565	3,565	3,565	3,565	3,565	3,565	3,565							607	40	733	O-6
O-5	2,483	2,589	2,589	2,589	2,589	2,589	2,589	2,589	2,589	2,589	2,589	2,589	2,589	2,589							594	33	708	O-5
O-4	3,093	3,093	3,093	3,093	3,093	3,093	3,093	3,093	3,093	3,093	3,093	3,093	3,093	3,093							541	27	633	O-4
O-3	1,907	2,133	2,280	2,280	2,280	2,280	2,280	2,280	2,280	2,280	2,280	2,280	2,280	2,280							434	22	518	O-3
O-2	1,083	1,616	1,816	1,816	1,816	1,816	1,816	1,816	1,816	1,816	1,816	1,816	1,816	1,816							384	18	440	O-2
O-1	1,444	1,503	1,516	1,516	1,516	1,516	1,516	1,516	1,516	1,516	1,516	1,516	1,516	1,516							290	13	393	O-1
COMMISSIONED OFFICERS WITH OVER 4 YEARS ENLISTED OR WARRANT OFFICER SERVICE																								
O-SE	—	—	—	—	2,823	2,643	2,728	2,888	3,029	3,149	3,149	3,149	3,149	3,149							469	22	564	O-SE
O-SE	—	—	—	—	2,266	2,303	2,276	2,500	2,586	2,684	2,686	2,686	2,686	2,686							396	18	500	O-SE
O-1E	—	—	—	—	1,616	1,941	2,012	2,086	2,156	2,264	2,266	2,266	2,266	2,266							343	13	462	O-1E
WARRANT OFFICERS																								
W-4	1,943	2,086	2,086	2,123	2,220	2,228	2,425	2,588	2,718	2,811	2,864	2,980	3,070	3,319							480	25	551	W-4
W-3	1,766	1,916	1,916	1,941	1,963	1,970	2,220	2,303	2,376	2,446	2,523	2,621	2,716	2,811							411	21	506	W-3
W-2	1,471	1,674	1,674	1,723	1,816	1,916	1,986	2,062	2,123	2,206	2,280	2,352	2,446	2,646							364	16	466	W-2
W-1	1,289	1,478	1,478	1,601	1,674	1,746	1,816	1,901	1,963	2,086	2,107	2,182	2,182	2,182							306	14	402	W-1
ENLISTED MEMBERS																								
E-9	—	—	—	—	—	—	2,261	2,211	2,264	2,418	2,473	2,520	2,663	2,911							401	19	529	E-9
E-8	—	—	—	—	—	1,896	1,950	2,002	2,063	2,108	2,156	2,209	2,339	2,589							369	16	487	E-8
E-7	1,234	1,429	1,482	1,534	1,586	1,636	1,689	1,741	1,830	1,872	1,924	1,949	2,080	2,339							315	12	453	E-7
E-6	1,139	1,241	1,293	1,345	1,398	1,448	1,502	1,579	1,593	1,682	1,707	1,707	1,707	1,707							285	10	418	E-6
E-5	999	1,068	1,141	1,190	1,240	1,290	1,372	1,423	1,449	1,449	1,449	1,449	1,449	1,449							262	9	376	E-5
E-4	923	984	1,045	1,102	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167							229	8	327	E-4
E-3	878	926	963	1,003	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001							224	8	304	E-3
E-2	845	845	845	845	845	845	845	845	845	845	845	845	845	845							182	7	290	E-2
E-1	784	784	784	784	784	784	784	784	784	784	784	784	784	784							162	7	290	E-1

An E-1 with less than four months of service receives \$897 per month. Base pay for all military personnel is limited to Level V of the Executive Pay Schedule (\$8,441.70 per month). The only rank this limit affects is an O-10 with over 26 years of service.

ARMED FORCES COMPARATIVE RANKS

Rank	U.S. Army Titles	U.S. Air Force Titles	U.S. Marine Corps Titles	U.S. Navy Titles	Rank
O-10	General	General	General	Admiral	O-10
O-9	Lieutenant General	Lieutenant General	Lieutenant General	Vice Admiral	O-9
O-8	Major General	Major General	Major General	Rear Admiral (Upper)	O-8
O-7	Brigadier General	Brigadier General	Brigadier General	Rear Admiral (Lower)	O-7
O-6	Colonel	Colonel	Colonel	Captain	O-6
O-5	Lieutenant Colonel	Lieutenant Colonel	Lieutenant Colonel	Commander	O-5
O-4	Major	Major	Major	Lieutenant Commander	O-4
O-3	Captain	Captain	Captain	Lieutenant	O-3
O-2	First Lieutenant	First Lieutenant	First Lieutenant	Lieutenant J. G.	O-2
O-1	Second Lieutenant	Second Lieutenant	Second Lieutenant	Ensign	O-1
W-4	Chief Warrant	The Air Force has no Warrant Officer Grades	Chief Warrant	Chief Warrant	W-4
W-3	Chief Warrant		Chief Warrant	Chief Warrant	W-3
W-2	Chief Warrant		Chief Warrant	Chief Warrant	W-2
W-1	Warrant Officer		Warrant Officer	Warrant Officer	W-1
E-9	Cmd. Sgt. Major or SGM	Chief Master Sergeant	Sgt. Major or MSGt.	Master Chief Petty Officer	E-9
E-8	Master Sgt. or 1st Sgt.	Senior Master Sergeant	Master Sgt. or 1st Sgt.	Senior Chief Petty Officer	E-8
E-7	Sergeant First Class	Master Sergeant	Gunnery Sergeant	Chief Petty Officer	E-7
E-6	Staff Sgt. or SP/6	Technical Sergeant	Staff Sergeant	Petty Officer 1st Class	E-6
E-5	Sergeant or SP/5	Staff Sergeant	Sergeant	Petty Officer 2nd Class	E-5
E-4	Corporal or SP/4	Sgt. or Senior Airman	Corporal	Petty Officer 3rd Class	E-4
E-3	Private First Class	Airman First Class	Lance Corporal	Seaman	E-3
E-2	Private	Airman	Private First Class	Seaman Apprentice	E-2
E-1	Private	Airman Basic	Private	Seaman Recruit	E-1

Text of Testimony to
Congressional Subcommittee
Buddy DeLoach, Mayor, City of Hinesville

Mr. Chairman and members of the Subcommittee, I appreciate the opportunity to appear before you today on behalf of the small business owners in Hinesville. To orient those of you who are not familiar with Fort Stewart, it is approximately 285,000 acres in size with the main gate and contonement area abutting the northwest city limits of Hinesville. The main gate is less than one mile from the center of Hinesville's business district. Not only do we share a common location but there are numerous economic and social relationships between Fort Stewart and Hinesville. For example there is no distinction between the military and civilian population at social gatherings and in civic organizations primarily because the military population is so well integrated into the civilian population. Hinesville and Fort Stewart have an outstanding relationship as can be demonstrated by the fact that Fort Stewart has a higher rate of reenlistment to serve at present duty station than any other military installation in the country. We have always worked closely together on projects of mutual interest such as the Hinesville/Fort Stewart Regional Wastewater Treatment Facility. A project that was jointly funded, located on Fort Stewart yet owned and operated by the City of Hinesville. However, because such a large segment of the total population of Hinesville is either active duty military or their dependents the economic vitality of Hinesville is very much dependent on Fort Stewart.

Text of Testimony to Congressional Subcommittee
Page 2

Prior to the activation of the 24th Infantry Division (Mech.) in 1974, Hinesville had a population of approximately 6,000. In 1980 the population grew to 11,309 in Hinesville. By 1990 the population had grown to 21,603 in Hinesville and 52,745 in Liberty County. Fort Stewart employs approximately 1,100 Liberty County residents with an annual payroll of approximately \$33,000,000. The annual military payroll pours an additional \$370,000,000 into the local economy. It is an understatement to say that the deployment of the 24th Infantry Division had a significant impact on our local economy.

The deployment affected the economy in numerous ways such as slumping retail sales, higher vacancy rates of rental residential units, loss of employees brought about by spouses moving back home, all but a cessation in the residential construction industry and ultimately the failure of several small businesses.

Immediately we experienced a slowdown in retail sales. For example a local McDonald's franchise immediately realized a 40% reduction in sales. Walker Insurance, a local independent insurance agency, has also realized a 40% drop in sales. Every small business establishment operator that we talked to tells us their business is off by fifteen to fifty percent. This broad range can be explained by the different markets targeted by the various businesses. Specifically if a business is small, not very diversified and targets the needs of the soldier it has been

Text of testimony to Congressional Subcommittee
Page 3

impacted greatly. Whereas the larger department stores have not realized such a severe impact. The attached report on local sales tax and the accompanying chart graphically relate the decline in retail sales. The lack of income to these businesses has created a situation that prevents them from restocking their inventory because the fixed items associated with their overhead has depleted available cash reserves. Many have borrowed to their limit or are hesitant to borrow at market rates because of their uncertainty of their ability to pay back loans.

Another way that businesses were affected immediately was by the loss of employees who were military dependents and later by the activation of National Guard and reserve units. Gary Dodd, owner of the two local McDonald's franchises, tells me that twenty (20) of seventy-five (75) employees at one restaurant and thirty-seven (37) of seventy-five (75) employees at the other left on very short notice. He was able to replace the employees but he was left with an extremely under trained work force for an extended period of time. In addition to military spouses leaving jobs the activation of the reserve and guard units caused employers to temporarily leave their normal jobs. The City of Hinesville lost eight (8) employees; four (4) in the Police Department, three (3) in the Public Works Department and one (1) in the Fire Department. While this has not created any problems we couldn't overcome if the same situation is imposed on a small business with a limited workforce the result can be devastating.

Text of Testimony to Congressional Subcommittee
Page 4

Perhaps the business community that was most rapidly and severely affected is the residential rental market. Rental unit owners and managers have consistently experienced an occupancy rate of 95% or better over the last several years. Now they are faced with an occupancy rate of 40% to 60%. Dennis Waters owner of a major residential rental business reports a 40% occupancy rate. Paul Krebs owner of the largest nonsubsidized apartment complex also reports an occupancy rate of 40%. While both companies have taken the opportunity to remodel some of their units an occupancy rate of 40% for several months severely impacts their ability to maintain their rental units.

Another sector of our economy that may be a direct reflection on our local economic situation is the single family residential construction industry. Over the past several years we have averaged twenty (20) new building starts per month. Since the deployment we have averaged only five (5) per month. This information not only reflects a decreased demand for housing but also a uncertainty about the stability of our local economy. Obviously such a great reduction in construction translates into employee layoffs and other economic problems.

Arguably the ultimate indicator of a local economy is the number of business failures or closures in the area. Hinesville has been fortunate to have experienced a continuous increase in the total number of businesses to locate in the community. However during the last four (4) months of 1990 we saw thirty five (35) businesses

Text of Testimony to Congressional Subcommittee
Page 5

close their doors. Only twenty three (23) businesses closed during the same period of 1989. That is a 48% increase in business closings.

Fortunately our troops are returning now and we are proud to know they have served their country well. As a result of them returning sales are increasing and business in general is improving. However, without loans at below market rates many of our businesses will be unable to restock their shelves, pay their suppliers and generally recover from the financially difficult times we have been experiencing. As a result more businesses will be forced to close their doors.

Finally let me relay to you our communities feeling about this entire situation. While we have been concerned about the local economic situation first and foremost on everyone's mind was the safe return of all our military men and women regardless if they were in the victorious 24th Infantry Division or some other military unit.

Attachments

CITY OF HINESVILLE
LOCAL OPTION SALES TAX
HISTORY

<u>Month Collected</u>	<u>Date Posted</u>	<u>Amount Received</u>
Jan., 1989	April 5, 1989	\$51,295.02
Feb., 1989	May 5, 1989	\$65,042.83
March, 1989	June 6, 1989	\$71,049.27
April, 1989	July 3, 1989	\$51,574.17
May, 1989	Aug. 31, 1989	\$82,904.43
June, 1989	Sept. 6, 1989	\$75,468.89
July, 1989	Oct. 3, 1989	\$63,543.50
Aug., 1989	Nov. 2, 1989	\$71,231.39
Sept., 1989	Dec. 4, 1989	\$68,867.79
Oct., 1989	Jan. 2, 1990	\$58,142.37
Nov., 1989	Feb. 1, 1990	\$67,678.14
Dec., 1989	March 2, 1990	\$98,874.94

After this point in time the distribution formula changed. Hinesville began receiving 36% of the total county receipts whereas prior to January 1, 1990 Hinesville was receiving 34.9%. 36% is a 3.1 % increase over 34.9%. A factor of .97 should be applied to the 1990 figures to compare them to the 1989 figures.

Jan., 1990	April 2, 1990	\$74,512.30
Feb., 1990	April 26, 1990	\$75,172.88
March, 1990	May 30, 1990	\$82,942.04
April, 1990	June 28, 1990	\$63,363.08
May, 1990	July 25, 1990	\$78,122.96
June, 1990	Aug. 28, 1990	\$75,287.85
July, 1990	Sept. 27, 1990	\$77,145.46
Aug., 1990	Oct. 26, 1990	\$74,571.93
Sept., 1990	Nov. 28, 1990	\$62,740.58
Oct., 1990	Dec. 27, 1990	\$63,242.73
Nov., 1990	Jan. 28, 1991	\$64,256.64
Dec., 1990	Feb. 27, 1991	\$77,815.24

CITY OF HINESVILLE
LOCAL OPTION SALES TAX
HISTORY

The distribution formula changed on January 1, 1991. Hinesville began receiving 40.589% of the total County receipts. To compare 1991 receipts to 1990 receipts apply a factor of .887 to the 1991 receipts. Likewise when comparing 1991 receipts to 1989 receipts apply a factor of .859 to the 1991 receipts.

<u>Month Collected</u>	<u>Date Posted</u>	<u>Amount Received</u>
Jan., 1991	March 27, 1991	\$64,870.47

Hinesville, Georgia Local Option Sales Tax Receipts

